Handbook of Government Accounting Standards

Government Accounting Standard Committee

2025

GOVERNMENT ACCOUNTING STANDARDS
REPUBLIC OF INDONESIA

GAS®

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GOVERNMENT 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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CONCEPTUAL FRAMEWORK

INTRODUCTION

Objective

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

(a) Government accounting standard setters in performing their duties;

(b) Compilers of financial reports in addressing accounting issues which have yet to regulated in the standards;

(c) Auditors in providing an opinion as to whether the financial reports have been prepared in accordance with the governmental accounting standards; and

(d) Users of financial reports in interpreting the information presented in the financial reports that have been prepared in accordance with the Governmental Accounting Standards.

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

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

Scope

4. This conceptual framework discusses the:

(a) purpose of the conceptual framework;

(b) government accounting environment;

(c) user and the information needs of users;

(d) accounting entities and reporting entities;

(e) role and purpose of financial reporting, financial reporting components as well as the legal base;

(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:

i. the general form of government and the separation of powers;
ii. the system of government autonomy and revenue transfers between governments;
iii. the influence of the political process;
iv. the relationship between tax payments with government services.

(b) The characteristics of government finances that are important for control:

i. the budget as a statement of public policy, fiscal targets, and as a means of control;
ii. investing in assets that do not directly generate revenue;
iii. the possible use of fund accounting for control purposes; and
iv. the depreciation of the value of assets as economic resources because of use in the operations of government.

General Government Form 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 Parliament/local parliament 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 Parliament / local parliament for financial administration.

Government Autonomy System 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 amongst 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 lives, thus a program of adequate maintenance and rehabilitation is needed to sustain the intended benefits to be achieved. As such, the function of the asset for the government is different to the function for commercial organizations. Most of the assets do not produce direct revenue for the government, and even create a government commitment to maintain it in the future.

Possible Use of Fund Accounting for the Purposes of Control

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

FIXED ASSET DEPRECIATION

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

USERS AND USER INFORMATION NEEDS

Financial Report Users

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

(a) public;

(b) legislative, supervisory agency, and audit institutions;

(c) parties that give or play a role in the process of donation, investment and loan; and

(d) government.

Financial Report User's Information Needs

18. The information presented in general purpose financial reports is to meet the information needs of all user groups. The government financial reports are not designed to meet the specific needs of each user group. However, since government financial reports as a form of accountability of public financial management, components of the report 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 AND REPORTING ENTITIES

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) 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 the establishment of a reporting entity, consideration is given to the terms imposed on management, control, and a reporting entity's governance of assets of a, jurisdiction, certain tasks and missions, with a form of responsibility and authority that is separate 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, budget execution excess/shortfall, the excess budget balance, the Statement of Financial Performance (LO) surplus/deficit, assets, liabilities, equity, and cash flows of the reporting entity.

COMPONENTS OF FINANCIAL STATEMENTS

28. A complete set of financial statement comprises:

(a) Budget realization report (LRA);

(b) Statement of changes in the excess budget balance;

(c) Balance Sheet;

(d) A statement of financial performance (LO);

(e) A cash flow statement (LAK);

(f) A statement of changes in equity (LPE);

(g) Notes to financial statements (CaLK).

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 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 entity independence;

(b) Assumption of going concern; and

(c) Assumption of monetary measurement.

Entity Independence

32. The assumption of entity independence 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 REPORTS

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) Relevant;

(b) Reliable;

(c) Comparable; and

(d) Understandable.

Relevant

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. Relevant information:

(a) Feedback value

Information allows users to confirm or correct their past expectations.

(b) 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) Completeness

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 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 PRINCIPLES AND FINANCIAL REPORTING

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. There are eight principles used in government accounting and financial reporting:

(a) Accounting basis;
(b) Historical value principle;
(c) Realization principle;
(d) Substance over formal form principle;
(e) Periodicity principle;
(f) Consistency principle;
(g) Full disclosure principle; and
(h) Fair presentation principle.

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 thus.

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 Budget Realization Report, the Statement of Changes in Excess Budget Balance, the Balance Sheet, the Statement of Financial Performance, 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 professional 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 professional judgment in preparing financial statements. Professional 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 professional 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.

RELEVANT AND RELIABLE INFORMATION CONSTRAINTS

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.

Budget Realization Report

61. The Budget Realization Report 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 Budget Realization Report 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 Excess Budget Balance 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 Excess Budget Balance 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 subsequent 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 Changes In the Excess Budget Balance

63. The Statement of Changes in the Excess Budget Balance presents information on the increase or decrease in the Excess Budget Balance 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 Financial Performance

78. The Statement of Financial Performance 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 Financial Performance 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 bersih.

(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.

Statement of Cash Flow

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 Budget Realization Report, the Statement of Changes in SAL, the Statement of Financial Performance, the Statement of Changes in Equity, the Balance Sheet and the Statement of Cash Flows. Notes to financial statementsalso 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. Notes to financial statementsdisclose/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.

Liability Recognition

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.

Expense and Expenditure Recognition

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.

FINANCIAL STATEMENT ELEMENT MEASUREMENT

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
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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ACCRUAL BASIS GOVERNMENT ACCOUNTING STANDARD
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 ensure comparability of financial statements both with the budget, between periods, and between other entities. General purpose financial reports are financial reports intended to meet users need, including legislatures, as stipulated in the laws and regulations. To achieve this objective, this standard sets out overall considerations for the presentation of financial statements, guidance for their structure and minimum requirements for the content of financial statements. Financial statements prepared under the accrual basis. Recognition, measurement and disclosure of specific transactions and other events are dealt with in other government accounting standards.

Scope

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

3. A general purpose financial statements are those intended to meet the needs of users. Users are public, including legislatures, inspectors/supervisors, parties who provide or participate in donations, investments, and loans, and government. Financial statements include those that are presented separately or within public document, such as an annual report.

4. ***This Standard shall be applied to reporting entities those prepare central government, local government and consolidated financial statements, but does not include state/local own enterprises.***

ACCOUNTING BASIS

5. ***Accounting for government's financial statements is accrual basis.***

6. Reporting entities conduct accounting and prepare financial statements under accrual basis both in recognition of revenue and expense, and asset, liability, and equity.

7. ***Reporting entities conducting accrual basis of accounting, present the statement of budget realization under basis refer to laws and regulations on the budget.***

DEFINITIONS

8. ***The following terms are used in this Standard with the meanings specified:***

<u>Budget</u> is guidance to be implemented by government comprises budget of revenues, expenditures, transfers, and financing measured in rupiah, and in specific classification for one period.

Local Government Revenue and Expenditure Budget (APBD) is annual local government financial planning which authorized by local legislatures (DPRD).

Local Government Revenues and Expenditure Budget (APBN) is annual central government financial planning which authorized by the House of Representatives (DPR).

Appropriation is the approved budget by House of Representative/Local Legislature which is the mandate given to president/governor/regent/mayor to make an expenditures according to the specified purposes.

Cash flows are state/local general treasurer cash and cash equivalent inflows and outflows.

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 public, and can be measured in terms of money, including non-financial resources required to deliver public services and resources that are maintained because of history and culture.

Intangible assets are non-financial assets that can be identified, intangible and held to produce goods or services, or use for other purposes, including intellectual property rights.

Fixed assets are tangible assets which has a useful life more than 12 (twelve) months, held to use or to be use in government activities or public use.

Accrual basis is the basis of accounting that recognizes the effect of transactions and other events at the time the transaction and event occurred, regardless of when cash or cash equivalent are 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 Account that reduce the Excess Budget Balance in the budget year and will not be paid back to the government.

Expenses are decreases in economic benefits or service potential in the reporting period which decreases equity, in the form of expenditure or consumption of assets or incurrences of liabilities.

Reserve Funds are provision funds to meet required large funds that cannot be fulfilled within one budget year.

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

Accounting Entity is a government's unit as a budget user/aset user, and shall to implement and prepare a financial statements to be consolidated in Reporting Entity.

Reporting Entity is a unit of government consisting of one or more accounting entities or reporting entities in accordance with the regulation, and are required to present an accountability reports in the form of financial statements.

Investment is an assets that are intended to get an economic benefits such as interest, dividends, and royalties, or social benefits to improve government's ability in delivering public services.

Cash is cash and bank deposits that are available to finance government activities.

Local Government Account is a depository account, that all local government revenues are receipt and expenditures disbursed.

Central Goverment Account is the depository account, that all central government revenues are receipt and expenditures are disbursed.

Accounting Policies are principles, basis, 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 in a jointly controlled activity, assets and/or rights of parties used in a jointly controlled activity.

Liabilities are debts as a result of past events, the settlement of which is expected to result in an resources outflow of economic resources government.

Consolidated financial statements are financial statement of a reporting entities or accounting entities that are presented in a single entity.

Interim financial statements are financial statement issued in between two annual financial statements.

Foreign currency is a currency other than reporting currency.

Reporting currency is functional currency (rupiah) used in presentation of financial statements.

Materiality is a condition of omissions or mistatement information, influence the decisions or assessments of users made on the basis of financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances in which the deficiency or misstatement occurred.

Fair value is an assets value exchange or settlement of liabilities between parties in an arm's length transactions.

Budget Credit Authorization (allotment) is a budget execution document that indicates the portion of appropriation allocated for an institution and is used to obtain funds from the Central/Local Government General Cash Account to finance expenditures during the period of authorization.

Financing is any receipt to be repaid and/or expenditures to be received, both in a current budget year or in subsequent budget year, which in government budgeting process, primarily intended to cover budget deficit or optimize surplus.

Revenue-LO is the central/local government's right that is recognized as an addition to equity in the budget year and it does not to be repaid.

Revenue-LRA is all receipts into Central/Local Government General Cash Account, adding Excess Budget Balance in the budget period year, as a government's right, and it does not to be repaid.

Depreciation is a systematic allocation of fixed asset that can be depreciated over a useful life of an asset.

Inventories are current assets in the form of goods or supplies which are intended to support government operations, and those are intended to be sold and/or to deliver services to the public.

Transfers receivable is a reporting entity's right to receive payment from another reporting entity as a provision of laws or regulations.

Items is a similar accounts presented in the face of financial statements.

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

***Central Government Account* is a depository account of Central Government Funds, determined by Minister of Finance as General Treasurer, to receive all central government revenues and to pay all central government expenditures.**

***Local Government Account* is a depository account of local government funds, determined by governor/regent/mayor, to receive all local government revenues and to pay all local government expenditures.**

***Excess Budget Balance* is a total amount derived from accumulated SiLPA/SiKPA balances from previous budget and current year and other adjustments.**

***Exchange rate* is the rate at which one currency can be exchanged for another currency.**

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

***Budget Financing Surplus/Deficit Balance* (SiLPA/SiKPA) is the excess/less between revenues and expenditures, financing receipt and disburse in the approved budget during a reporting period.**

***Surplus/deficit-Statement of Financial Performance* is the difference between revenues and expenses during a reporting period, after taking into account surplus/deficit from non-operational actvities dan extraordinary items.**

***Surplus/deficit-Statement of Budget Realization* is the excess/shortfall between revenue and expenditures during one reporting period.**

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

***Transfers* are cash inflows/outflows from a reporting entity from/to other reporting entity, including the balance funds and revenue sharing funds.**

***Transfers debt* are reporting entity's obligations to transfer resources to other entities to proceed of laws regulation**.

PURPOSE OF FINANCIAL STATEMENTS

9. Financial statements are a structured representation of financial position and transactions of a reporting entity. The objectives of general purpose of financial statemens is to provide information about the financial position, budget realization, the excess of budget balance, cash flow, financial performance, 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 objectives of government financial statements should be to provide information useful for decision making and to demonstrate the accountability of the reporting entity for the resources entrusted to it, by:

(a) Providing information about the position of the government's economic resources, liabilities and equity;

(b) Providing information about the changes of the government's economic resources, liabilties and equity;

(c) Providing information about the sources, allocation and use of economic resources;

(d) Providing information about the budget compliance;

(e) Providing information about how the reporting entity financed its activities and met its cash requirements;

(f) Providing information about the government's ability to finance government activities;

(g) Providing information useful in evaluating the reporting entity's ability to finance its activities.

10. General purpose financial statements can also have a predictive and prospective role, providing information useful in predicting the level of resources required for continued operations, the resources that may be generated by continued operations, and the associated risks and uncertainties. Financial reporting may also provides users with information:

(a) Indicating whether resources were obtained and used in accordance with the approved budget; and

(b) Indicating whether resources were obtained and used in accordance with the relevant requirements, including budget limits established by appropriate legislative authorities.

11. To meet these objectives, the financial statements provide information about a reporting entity's:

(a) assets;

(b) liabilities;

(c) equity;

(d) revenue-LRA;

(e) expenditures;

(f) transfers;

(g) financing;

(h) excess budget balance

(i) revenue-LO;

(j) expenses; and

(k) cash flows.

12. Information contained in financial statements can be relevant for the purpose of meeting the objectives in paragraph 9, it is unlikely to unable all these objectives. Suplementary information, including non-financial statements, may be reported alongside the financial statements in order to provide a more comprehensive picture of the reporting entity's activities during the period.

RESPONSIBILITY FOR FINANCIAL REPORTING

13. The responsibility for the preparation and presentation financial statements lies with the head of the entity.

COMPONENTS OF FINANCIAL REPORTS

14. ***A complete set of financial statements consist of statement of budget realization and financial statements, components of financial statements, comprises:***

(a) ***Statement of Budget Realization;***

(b) ***Statement of Changes in Excess Budget Balance;***

(c) ***Balance Sheet;***

(d) ***Statement of Financial Performance;***

(e) ***Statement of Cash Flows;***

(f) ***Statement of Changes in Equity;***

(g) ***Notes to the Financial Statements.***

15. ***Components of financial statements are presented by reporting entities, except:***

(a) ***Statement of cash flow, presented by entity who has a general treasury function; and***

(b) ***Statement of changes in excess budget balance, presented by Central Government General Treasurer and reporting entitiy which prepare consolidated financial statements.***

16. General treasury function units are defined as a unit of a central/local government general treasurer and /or proxy of central/local government general treasurer.

17. Government financial activities are typically subject to budgetary limits in the form of appropriations or budget authorizations. Financial statements provide information on whether resources were obtained and used in accordance with the legally adopted budget. Statements of Budget Realization include budget and realization.

18. Government reporting entities also present Government's Excess Budget Balance from the previous excess budget balance, use of excess budget balance, surplus/ deficit from financing (SiLPA/SiKPA) in current year, and other adjustments.

19. Financial statements provide information about economic resources and obligations at the reporting date and flow of economic resources during current period. This information is required by users to assess reporting entity's ability to deliver services in the future.

20. Reporting entities provide information to assist users in assessing the performance of the entity and asset management, as well as in making and evaluating decisions about the allocation of economic resources.

21. The general treasury function's entity provide information about resources, uses, changes in cash and cash equivalents during the accounting period and the balance of cash and cash equivalents at the reporting date.

22. The reporting entities present the government's net assets from initial equity, current period surplus/deficit, and cumulative impacts due to changes in accounting policies and errors.

23. In avoiding misunderstanding in a financial statements, the reporting entity shall disclose all important information, not only presented information on the face of financial statements but also other information that has not been presented on the face of financial statements.

24. The reporting entities may disclose information about the compliance to budget regulation.

STRUCTURE AND CONTENTS

Introduction

25. This Standard requires certain disclosure and other post on the face of financial statements, or in the notes to financial statements, and recommend an attachment's illustration in this standard in a specific condition.

26. This Standard uses a disclosure's terms, in a broader situation, include posts presented in each face of financial statements as well as in the notes to financial statements. Disclosures required in other statements are disclose in accordance with those standards. Unless a statement governs in the contrary, such disclosure presented on the face of relevant financial statement or dislosed in the notes to financial statements.

Identification of Financial Statements

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

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

29. Each component of a financial statements should be clearly identified. Besides, the following information must be clearly stated and repeated on each pages of the statement where it necessary to obtain an adequate understanding from the presented information:

(a) Reporting entity's name or other identification;

(b) Scope of financial statement, whether for a single entity or consolidated from multiple entities;

(c) The reporting date or reporting period, in accordance with the component of financial statement;

(d) Currency; and

(e) The presentation of the numbers in financial statements.

30. Requirement stated in paragraph 27 are met with the presentation of a title and heading on each pages of the financial statements. Various considerations are used to regulate page numbering, reference, and attachment to help users to understand the financial statements.

31. Financial statements are more easier to understand when the information are presented in thousands or millions of rupiah. This presentation is acceptable as long as the degree of accuracy disclosed in the presentation and there are no omissions of relevant information.

Reporting Period

32. ***Financial statements shall be presented at least annually. In a certain circumstances, a change in a reporting date and the annual financial statements are presented for a period longer or shorter than one year, the reporting entity shall disclose the following information:***

(a) ***the reasons for presentation not in one year,***

(b) ***the facts that comparative amounts for certain statements such as statement of cash flows and related notes are not entirely comparable.***

33. In a particular situation, a reporting entity may be required to change its reporting date, for example, changed in a fiscal year. Disclosure of change in a reporting dates are important, so users are aware that the amounts presented for a current period and comparative amounts are not comparable. Other examples are the transition from cash to accrual accounting, or where a reporting entity changes the reporting date of accounting entities to enable the preparation of consolidated financial statement.

Timeliness

34. The usefulness of financial statements is impaired if they are not made available to users within a certain period after the reporting date. Factors, such as complexity of a reporting entity's operation, are not sufficient reason for failing to report on timely basis.

STATEMENT OF BUDGET REALIZATION

35. ***Statement of budget realization disclose the financial activities of a central/local governments and it's compliance to the Central/Local Revenues and Expenditures Budget.***

36. Statement of Budget Realization present a summary, allocation and use of economic resources by central/local governments in a reporting period.

37. The following elements should be presented in a statement of budget realization:

(a) revenue;

(b) expenditure;

(c) transfers;

(d) surplus/deficit;

(e) financing;

(f) surplus/deficit financing.

38. ***Statement of budget realization present a comparative budget and realization in a reporting period.***

39. More disclosure of a statement of budget realization disclosed in the notes to financial statements. Such disclosures contain items that affect budget implementation such as fiscal and monetary policies, the cause of material differences between budget and realization, and lists of detail numbers to be disclosed.

40. Statement No. 02 set the requirements for presentation of statement of budget realization and related disclosure information.

STATEMENT OF CHANGES IN EXCESS BUDGET BALANCE

41. ***The statement of changes in excess budget balance presents a comparative information with the previous period of the following items:***

(a) ***Previous excess budget balance;***

(b) ***The use of the excess budget balance;***

(c) ***Current surplus/deficit budget balance;***

(d) ***Error correction in previous year balance; and***

(e) ***Others;***

(f) ***Excess budget balance.***

42. ***A reporting entity shall present a further details of the statement of changes in excess budget balance elements, in the notes to financial statements.***

43. Ilustration of the statement of changes in excess budget balance are presented in an attachment of this statement. The illustrations are only examples and are not part of this standard. The purpose of this illustration is to describe the implementation of this standard.

BALANCE SHEET

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

Classification

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

46. ***A reporting entity disclose every items of assets and liabilities 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. When a reporting entity provides goods to be used in government activities, separate classification of current and non-current assets on the balance sheet provide usefull information about the goods to be used in the next accounting period and those that to be used for long-term operations.

48. Information about expected dates of realization of financial assets and liabilities is useful in assessing the liquidity and solvency of a reporting entity. Information on the settlement date of non-monetary assets and liabilities such as inventories and provisions is also useful, whether or not assets and liabilities are classified as current and non-current.

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. ***Post other than those in paragraph 49 are presented in the balance sheet if the Government Accounting Standards required, or if fairly financial position presentation necessary to the reporting entity.***

51. Ilustration of balance sheet are attached in this Statement. The illustrations are only examples and are not part of this standard. The purpose of the illustrations is to describe the implementation of this statement.

52. A separate additional presentation of items are considered based on the following factors:

(a) The nature, liquidity, and materiality of an asset;

(b) The function of these items in a reporting entity;

(c) The amount, nature and due date of liabilities.

53. Assets and liabilities that are different in nature and function, measured using different measurement bases. For example, a group of fixed assets are measured based on an acquisition cost and others are measured based on an estimated fair value.

Current Assets

54. ***An asset shall be classified as current asset if:***

(a) ***It is expected to be realized, consumption in, or is held for sale within 12 (twelve) months from the reporting date,***

(b) ***In the form of cash or cash equivalent; or***

55. Current assets include cash and cash equivalents, short term investments, receivables, and inventories. Short-term investment among others, deposits (3 to 12 months) and securities. Receivable among others, taxes receivable, levies, fines, installment sales, claims, and other receivables that are expected to be received within 12 (twelve) months after the reporting date. Inventories include goods or supllies to be consumed, for example consumable goods such as office stationery and durable items such as equipment and pipe, and used goods.

Non-current Assets

56. ***Non-current assets include long-term assets and intangible assets, that are used in government activites or used in delivering public services.***

57. ***To simplify presentation in a balance sheet, non-current assets are classified into long-term investments, fixed assets, provisions, and other assets.***

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

59. ***Non-permanent investments are long-term investments that are not intended to be held pemanent.***

60. ***Permanent investments are long-term investments that are intended to be held permanent.***

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

(a) ***Investments in securities;***

(b) ***Investment in projects, that can be transferred to third parties; and***

(c) ***Other non-permanent investments.***

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

(a) ***Investment in state/local own enterprises, financial institutions, international organizations and other legal entities.***

(b) ***Other permanent investments.***

63. ***Fixed assets are tangible assets, it useful life more than twelve months, using in a government activities or utilized by public.***

64. ***Fixed assets consist of:***

(a) ***Land;***

(b) ***Equipment;***

(c) ***Building;***

(d) ***Road, irrigation, and network;***

(e) ***Other fixed assets; and***

(f) ***Construction in progress.***

65. ***Provisions reserve fund are fund allowance to fulfill required large funds, that can not to be met in a single budget year. The detailed provision reserve funds based on its purposes.***

66. ***Other non-current assets are classified as other assets. Other asset include an intangible assets, installment sales that is due more than 12 months, and joint operation asset, and restricted cash.***

Recognition of an Assets

67. ***Assets shall be recognized when potential future economic benefits will flow to the government and value or cost can be measured reliably.***

68. ***Assets shall be recognized when assets has received or it's ownership and/or controlership transferred to the entity.***

Measurement of an Assets

69. ***Assets shall be measured, as follows:***

(a) ***Cash measured at nominal value;***

(b) ***Short-term investments are measured at cost of acquisition;***

(c) ***Accounts receivable measured at nominal value;***

(d) ***Inventories are measured at:***

  i. ***Acquisition cost if acquired by purchase;***

  ii. ***Standard cost if acquired by production;***

  iii. ***Fair value if acquired by donations.***

70. ***Long-term investments shall be measured at cost including any other additional cost attributable to legal ownership of investment;***

71. ***Fixed assets shall be measured at acquisition cost. If acquisition cost is not available then fixed assets shall be measured at fair value at the acquisition date.***

72. ***Fixed assets shall be depreciated according to their nature and characteristics except land and construction in progress.***

73. The cost of acquisition of a constructed fixed assets comprises direct costs for labor, raw materials, and indirect costs, including cost of planning and supervision, supplies, electricity, rent of equipment, and all other costs attributed to construction of fixed assets.

74. ***Monetary assets denominated in foreign currencies are translated into rupiah. Foreign currency translation use a central bank middle rate at the reporting date.***

Short-term Liabilities

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

76. Short-term liabilities can be categorized as in the current assets categoritation. Some short-term liabilities, such as government debt transfers or employees liabilities will absorb current assets in the next reporting year.

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

Long-term Liabilities

78. ***A reporting entity classified long term obligation, although the obligation is due and to be settled within 12 (twelve) months after the reporting date if:***

(a) ***the original terms, more than 12 months;***

(b) ***the entity intends to refinance on a long-term basis; and***

(c) ***this intention is supported by refinancing agreement, or rescheduling payment, due to before financial statement was authorized to issued.***

The amount of each liabilities from short-term obligation and related information to support the presentation, are disclosed in the notes to financial statements.

79. 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 not expected to absorb the entity’s funds. Such liabilities are considered to be part of long-term financing and are classified as long-term liabilities. However, if an the entity has no refinancing policy (in the case of no approval to refinance), refinancing can not be automatically considered and the liabilities are to be classified as a short-term ítems, unless settlement of the refinancing agreement before financial statement authorized to issued, proves that a liability at the reporting date, in substance is long-term liabilities.

80. Some loan agreements include covenant that long-term obligations becomes payable on demand, the liability is classified as short-term obligations if condition to financial position breached. In such circumstances, the liability can be classified as long-term liability only if:

(a) the lender has agreed that liabilities is not due to settle as a consequence of the breach; and

(b) it is unlikely, subsequent breaches will occur within 12 months after the reporting date.

Recognition of Liabilities

81. ***Liabilities shall be recognized when it is probable that economic resources will flow to settle existing liabilities at reporting date, and a changes to the liabilities can be measured reliably.***

82. ***Liabilities are recognized at the time loans received or when the liabilities are arised***.

Measurement of Liabilities

83. ***Liabilities are measured at their nominal value. Liabilities denominated in foreign currencies are translated and presented in rupiah. Foreign currency translation use the middle rate of the central bank at the reporting date***.

Equity

84. ***Equity is a government net worth, which represents the residual in the assets after deducting government liabilities at the reporting date.***

85. Equity balance in the balance sheet, is an equity balance in the Statement of Changes in Equity.

Information Presented in the Balance Sheet or in the Notes to Financial Statements

86. ***A reporting entity disclose, either in the Balance Sheet or in the Notes to Financial Statement, a subclassification of items, classified in a manner appropriate with the entity's operations. If necessary, an item is to be further subclassified, in accordance with it's nature.***

87. The details in the subclassification on the Balance Sheet or in notes to financial statementsdepends on the requirements of Government Accounting Standards and materiality of the amount of post. Factors in paragraph 86 may be used in determining basis of the subclassification.

88. Disclosures will vary for each of items, for example:

(a) detail of accounts receivable, according to amounts for taxes receivable, levies, sales, related parties, advances and other amounts; transfers receivable detail by their source;
(b) inventories detailed based on the statement of accounting for inventories;
(c) fixed assets are classified by group based on the statement of accounting for fixed assets;
(d) debt transfers are analyzed according to receiving entity;
(e) provision funds are classified in accordance with their purposes;
(f) disclosure of the interests in state/local/other own enterprises is investment amount, level of control and measurement method.

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 it's disclosures is set out in the Statement No. 03 Statement of Cash Flows.

STATEMENT OF FINANCIAL PERFORMANCE

92. ***The statement of financial performance, 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***.

The additional items, headings and subtotals are presented in the statement of financial performance if this statements requires, or if it is fairly to present the operating result of a reporting entity.

93. In relation to the Statement of financial performance, an operational activities of a reporting entity can be analyzed based on economic classification or functions/programs classification to achieve the predetermined objective.

94. Additional items in the Statement of financial performance, descriptions and structured of ítems can be changed if it necessary to disclose their performance. Factors to be considered include materiality, nature and function of revenue and expenses.

95. If Statement of Financial Performance, has been analyzed according to expense classification, those are classified by economic classification (examples, depreciation/amortization, office stationery, transportation expenses, and salaries and employee benefits), and are not reallocated to various functions in a reporting entity. This method is simple to be applied in most of small entities because it does not require allocation of operating expenses to the various functions.

96. In the Statement of Financial Performance, which is analyzed according to classification by function, expenses are grouped by program or their intention. Presentation of the statement provides more relevant information to users than by economic classification, although, the allocation of expenses by functions, sometimes arbitrary and base on a certain considerations.

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

98. To select either economic classification or functional classification method, it will depend on historical factors and regulation, and nature of organization. Both methods can provide an indication of direct or indirect expense, different from output of the reporting entity. Because of implementation of each method on different entities has its own advantages, then the reporting entities may select those methods in this statement to present elements of performance appropriately.

99. In the Statement of Financial Performance, gains/losses from the sale of non-current assets and extraordinary revenue/expense are separately presented.

100. The statement no. 12, present expenses in more detail by economic classification. Ilustration of Comparable Statement of Financial Performance, attached in this statement.

STATEMENT OF CHANGES IN EQUITY

101. ***A reporting entity presents at least these items:***

(a) ***equity;***

(b) ***Surplus/deficit-LO in reporting period;***

(c) ***Corrections in equity, which among others, from the cumulative impacts from changes in accounting policies and correction of errors, such as:***

   i. ***Correction of errors of presentation of inventories in prior period;***

   ii. ***changes in measurement of fixed assets due to revaluations.***

(d) ***Equity at reporting date.***

102. ***Details of elements in the Statement of Changes in Equity presented by Reporting entity in the Notes to Financial Statements***.

103. Ilustration of the Statement of Changes in Equity attached in this statement. Illustration are only example and are not part of the statement. The purpose of these illustrations is to describe the implementation of this statement.

NOTES TO FINANCIAL STATEMENTS

Structure

104. ***To be understandable and comparable with other entity's financial statements, notes to financial statements shall disclose the following:***

(a) ***General Information of the Reporting and Accounting Entity;***

(b) ***Information on fiscal/financial and macroeconomy policy;***

(c) ***Overview of financial target achievement during the reporting period including the constraints and challenges in achieving the targets.***

(d) ***Basis for the preparation of financial statements and the selected accounting policies to be implemented to transactions and other significant events.***

(e) ***Details and description of each items presented on the face of financial statements;***

(f) ***The information required by the Governmental Accounting Standards that have not been presented on the face of financial statements;***

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

105. ***Notes to financial statements are presented systematically. Each items in the Statement of Budget Realization, Statement of Changes in Excess Budget Balance, Balance Sheet, Statement of Financial Performance, Statement of Cash Flows, and Statement of Changes in Equity should have cross-references to the related information in the Notes to Financial Statements.***

106. ***Notes to financial statements are include disclosure or a detail or analysis of items those are presented in Statement of Budget Realization, Statement of Changes in Excess Budget Balance, Balance Sheet, Statement of Financial Performance, Statement of Cash Flows, and Statement of Changes in Equity. Notes to financial statements also present an information required by Government Accounting Standards, and other disclosures such as contingent liabilities and other commitments.***

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

Presentation of Acccounting Policies

108. ***Notes to financial statements should disclose accounting policies in the following:***

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

(b) to what extent the accounting policies related to the transition provisions of the Government Accounting Standards are applied by a reporting entity, and

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

109. Measurement base shall be informed to users. If the entity use more than one measurement bases, then the information presented must be sufficient to indicate the measurements basis in assets and liabilities.

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

(a) Revenue-LRA and revenue-LO recognition;

(b) Expenditure recognition;

(c) Expenses recognition;

(d) Consolidated statements preparation principles;

(e) Investments;

(f) Recognition of termination/disposal of tangible and intangible assets;

(g) Construction contracts;

(h) Capitalization accounting policy;

(i) Partnerships with other parties;

(j) Research and development costs;

(k) Inventories, either for sale or for their own use;

(l) Reserve funds;

(m) Foreign currency translation and hedging.

111. Nature of activities and reporting entity's policies shall be disclosed in the Notes to Financial Statements. For example, disclosure of information for recognition of taxes, levies and other compulsory (non-reciprocal revenue), foreign currencies translation and the accounting treatment of foreign exchange.

112. An accounting policy may be significant, even the items presented in the current and previous period are not material. Any selected and implemented accounting policies shall be disclosed, although they are not regulated in this Statement.

Other Disclosures

113. ***A reporting entity disclose the following information, to those not yet presented in the financial statements:***

(a) location and legal form of the entity, and jurisdiction in which the entity operates;

(b) disclosure of nature of activities and operations of the entity;

(c) the laws and regulations as a basis for its operational activities.

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 And 20x0

(in Rupiah)

No	Description	20x1	20x0
1	Asset		
2	Current Asset		
3	Cash In Central Bank	xxx	xxx
4	Cash In State Treasury Service Office	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	Non Tax Receivable	xxx	xxx
10	Allotment Receivable	(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 International Institution	xxx	xxx
15	Current Portion Of Instalment Sales	xxx	xxx
16	Current Portion Of Compensation Claims	xxx	xxx
17	Other Receivables	xxx	xxx
18	Inventories	xxx	xxx
19	Total Current Assets (3 S/D 18)	xxx	xxx
20	Longterm Investment		
21	Nonpermanent Investment		
22	Longterm Loans	xxx	xxx
23	Revolving Fund	xxx	xxx
24	Invesment In Bond	xxx	xxx
25	Investment In Development Project	xxx	xxx
26	Other Nonpermanent Investment	xxx	xxx
27	Total Nonpermanent Investment (22 S/D 26)	xxx	xxx
28	Permanent Investment		
29	Government Equity Participation	xxx	xxx
30	Other Permanent Investment	xxx	xxx
31	Total Permanent Investment(29 S/D 31)	xxx	xxx
32	Total Longterm Investment (27 + 31)	xxx	xxx
33	Fixed Assets		
34	Land	xxx	xxx
35	Equipment And Machine	xxx	xxx
36	Buildings And Construction	xxx	xxx
37	Road, Irrigation And Networks	xxx	xxx
38	Other Fixed Assets	xxx	xxx
39	Construction In Progress	xxx	xxx
40	Accumulated Depreciation	(xxx)	(xxx)
41	Total Fixed Assets (34 S/D 40)	xxx	xxx
42	Other Assets		
43	Installment Sales	xxx	xxx
44	Compensation Claims	xxx	xxx
45	Partnership With Third Parties	xxx	xxx
46	Intangible Assets	xxx	xxx
47	Other Assets	xxx	xxx
48	Total Other Assets (43 S/D 47)	xxx	xxx
49	Total Assets (19+32+41+48)	xxx	xxx
50			

51	Liabilities		
52	Short Term Liabilities		
53	Third Party Debt (Pfk)	xxx	xxx
54	Interest Payable	xxx	xxx
55	Current Portion Of Longterm Liabilities	xxx	xxx
56	Deferred Income	xxx	xxx
57	Expenditure Payable	xxx	xxx
58	Other Short Term Payable	xxx	xxx
59	Total Short Term Liabilities (52 S/D 58)	xxx	xxx
60	Long Term Liabilities		
61	Foreign Debt	xxx	xxx
62	Domestic Debt-Non Bank	xxx	xxx
63	Domestic Debt-Bond	xxx	xxx
64	Premium On Bond	xxx	xxx
65	Other Longterm Debt	xxx	xxx
66	Total Long Term Liabilities (61 S/D 65)	xxx	xxx
67	Total Liabilities (59 + 66)	xxx	xxx
68	Equity		
69	Equity	xxx	xxx
70	Total Liabilities And Equities (67 + 69)	xxx	xxx

(Ilustration 01.B)

Province/District/City Government
Balance Sheet
Dec 31 20x1 and 20x0

(In Rupiah)

No	Description	20X1	20X0
1	Asset		
2			
3	Current Asset		
4	Cash In Local Treasury	xxx	xxx
5	Cash In Expenditure Treasurer	xxx	xxx
6	Cash In Receipt Treasurer	xxx	xxx
7	Short Term Investment	xxx	xxx
8	Taxes Receivable	xxx	xxx
9	Levies Receivable	xxx	xxx
10	Provision For Doubtful Debts	(xxx)	(xxx)
11	Prepaid Expense	xxx	xxx
12	Current Portion Of Loans To State Enterprises	xxx	xxx
13	Current Portion Of Loans To Local Enterprises	xxx	xxx
14	Current Portion Of Loans To Central Government	xxx	xxx
15	Current Portion Of Loans To Other Local Government	xxx	xxx
16	Current Portion Of Instalment Sales	xxx	xxx
17	Current Portion Of Compensation Claims	xxx	xxx
18	Other Receivables	xxx	xxx
19	Inventories	xxx	xxx
20	Total Current Assets (4 S/D 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 S/D 27)	xxx	xxx
29	Permanent Investment		
30	Local Government Equity Participation	xxx	xxx
31	Other Permanent Investment	xxx	xxx
32	Total Permanent Investments (30 S/D 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 S/D 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 S/D 54)	xxx	xxx
56			
57	Total Assets (20+33+43+47+55)	xxx	xxx
58			
59	Liabilities		
60			
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 S/D 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 S/D 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

(in rupiah)

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

(Ilustration 01.D)

Province/ Distrik and City Government
Statement of Changes in Equity
For The Periods Ending Dec 31, 20x1 and 20x0

(in rupiah)

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

(Ilustration 01.E)

Central Government
Statement of Changes in Excess Budget Balance
Dec 31, 20x1 and 20x0

(in rupiah)

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

(Ilustration 01.F)

Province/District/City Government
Statement of Changes In Excess Budget Balance
Dec 31, 20x1 And 20x0

(in rupiah)

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

GOVERNMENT ACCOUNTING STANDARD
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*

Table of Contents

ACCRUAL BASIS GOVERNMENT ACCOUNTING STANDARD
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 Statement of Budget Realization prescribe the basis for presentation of budget realization in order to comply with accountability objectives as established by laws and regulations.

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

Scope

3. This Statement is applied to the presentation of Statement of Budget Realization and prepared in a cash basis budget.

4. This Standard is applied to all reporting entities, both to the Central and local Government, those who received budget on an appropriated Central/local Government Budget, excluding state/local own enterprises.

BENEFITS OF BUDGET REALIZATION INFORMATION

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

(a) Providing information about the source, allocation and use of economic resources;

(b) providing information about budget realization that is useful in evaluating the government's performance in terms of efficiency and effectiveness.

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

(a) has been efficient, effective, and economically;

(b) has been implemented in accordance with the approved budget;

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

DEFINITIONS

7. The following are terms used in this Standard:

Budget is an implementation guidance for government, include revenue budget, expenditure, transfer, and financing measured in rupiah, arranged according to a sistematically classification for one period.

Local Government Revenue and Expenditure Budget (APBD) is annual local government financial planning which authorized by local legislatures (DPRD).

Central Government Revenue and Expenditure Budget (APBN) is annual central government financial planning which authorized by the House of Representatives (DPR).

Appropriation is the approved budget by House of Representative/Local Legislature which is the mandate given to president/governor/regent/mayor to make an expenditures according to the specified purposes.

Gross Principle is a principle that receipts anddoes 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.

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 Central/Local General Treasury Account that reduce Excess Budget Balance in the budget year and that will not be paid back to the government.

Reserve Funds are provision funds to meet required large funds that cannot be fulfilled within one budget year.

Reporting Entity is a unit of government consisting of one or more accounting entities or reporting entities in accordance with the regulation, are required to present an accountability reports in the form of financial statements.

Local Government Account is a depository account of local government funds, determined by governor/regent/mayor, to receive all local government revenues and to pay all local government expenditures.

Central Government Account is a depository account of Central Government Funds, determined by Minister of Finance as General Treasurer, to receive all central government revenues and to pay all central government expenditures.

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

Exchange rate is the rate at which one currency can be exchanged for another currency.

Budget Credit Authorization (allotment) is a budget execution document that indicates the portion of appropriation allocated for an institution and is used to obtain funds from the Central/Local Government General Cash Account to finance expenditures during the period of authorization.

Revenue-LRA is all receipts into Central/Local Government General Cash Account, adding Excess Budget Balance in the budget period year, as a government's right, and it does not to be repaid.

Financing ***is any receipt to be repaid and/or expenditures to be received, both in a current budget year or in subsequent budget year, which in government budgeting process, primarily intended to cover budget deficit or optimize surplus.***

Local-owned companies ***are business entities whose entire or part of the capital is owned by the local government*.**

State-owned enterprises ***are business entities whose entire or part of the capital is owned by the Central Government*.**

Central Government General Treasury Account ***is depository account of Central Government Funds, specified by Minister of Finance as General Treasurer, to receive all central government revenues and to pay all central government expenditure.***

Local Government General Treasury Account ***is a depository account of local government funds, specified by governor/regent/mayor, to receive all local government revenues and to pay all local government expenditures.***

Excess Budget Balance ***is a total amount derived from accumulated SiLPA/SiKPA balances from previous budget and current and other adjustments.***

Budget Financing Surplus/Deficit Balance ***(SiLPA/SiKPA) is the excess/less between revenues and expenditures, financing receipt and disburse in the approved budget during a reporting period.***

Surplus/deficit-Statement of Budget Realization ***is the excess/shortfall between revenue and expenditures during one reporting period.***

Transfers ***are cash inflows/outflows from a reporting entity from/to other reporting entity, including the balance funds and revenue sharing funds.***

STRUCTURE OF BUDGET REALIZATION STRUCTURE

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

9. The Statement of Budget Realization shall be identified clearly, and if it is necessary, the following information shall be repeated on each page:

(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) ***the units of figures used.***

REPORTING PERIOD

10. The Budget of Budget Realization shall be presented at least annually. When an entity's reporting date changes and the annual Statement of Budget Realization is presented for a longer or shorter than one year, an entity shall disclose the following information:

(a) ***The reasons for using a longer or shorter period; and***

(b) ***The fact that comparative amounts for Statement of Budget Realization and related notes are not entirely comparable*.**

TIMELINESS

11. The usefulness of the Statement of Budget Realization is impaired if they are not available to users whitin reasonable time. Factors such as the complexity of government operations are not sufficient reason for failing to present on timely basis. A reporting entity should present the Statement of Budget Realization no later than 6 (six) months after the end of budget year.

THE STATEMENT OF BUDGET REALIZATION CONTENTS

12. The Statement of Budget Realization Report is presented in such a way to highlight the various elements of revenues, expenditures, transfers, surplus/deficit, and financing necessary for a fair presentation. The Statement of Budget Realization Report reconciles the realization of revenues, expenditures, transfers, surplus/deficit, and financing to the Budget. Further disclosures of the Statement of Budget Realization explained in notes to financial statements which contain matters that affect the implementation of the budget, such as fiscal and monetary policy, the cause of a material differences between the budget and realization, and list of further detailed figures that are considered to explain.

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

(a) ***Revenue-LRA;***

(b) ***Expenditures;***

(c) ***Transfers;***

(d) ***Surplus/deficit-LRA;***

(e) ***Financing receipts;***

(f) ***Financing expenditures;***

(g) ***Net financing; and***

(h) ***Excess/shortfall budget financing balance (SiLPA/SiKPA).***

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

15. Ilustration of the Statement of Budget Realization are shown in the attachment this Standard. These illustrations are examples and not part of the Standard. The purpose of these illustrations is to provide a description implementation of this statement.

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

16. The reporting entity presents a classification of revenues by type of revenue in the Statement of Budget Realization and further details of revenue are presented in the Notes to Financial Statements.

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

BUDGET ACCOUNTING

18. Budget accounting is a management accountability and control technique used to assist in the management of revenues, expenditures, transfers, and financing.

19. Budget accounting is conducted in accordance with the budget structure, consisting of revenues, expenditures, and financing. Revenue budget includes estimated revenues translated into allocation of estimated revenues. Budget expenditures consist of appropriations translated into budget credit authorizations (allotments). Budget financing consists of financing receipt and financing expenditures.

20. Budget accounting is conducted when the budget is approved and the budget is allocated.

ACCOUNTING FOR REVENUE

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

22. Revenue is classified according to the type revenue.

23. Transfer in is the receipt of funds from other reporting entities, for example, the receipt of balancing fund from the central government and revenue sharing funds from the provincial government.

24. Revenue accounting is applied in gross principle by recording gross receipts, and not recording in net amount (after being compensated with expenditures).

25. In the case of the deduction against gross revenue is variable and cannot be budgeted in advance due to the process being incomplete, then gross principle may be exempted.

26. Revenue recognition in public service agency, refer to the laws and regulations governing the public service agency.

27. Systemic and recurring return on revenue receipt in the period of revenue receipt or in the prior period are recognized as reductions of revenue.

28. Corrections and non-recurring return on revenue receipt that occur in a during period of revenue receipt are recognized as reductions of revenue in the same period.

29. ***Corrections and non-recurring return on revenue receipt that occur in the previous period of revenue receipt are recognized as reductions to the Excess Budget Balance in the period the correction and return is discovered***.

30. Revenue Accounting is set up to meet the accountability requirements in accordance with the regulations and to the purpose of management control for central and local governments.

ACCOUNTING FOR EXPENDITURE

31. Expenditures are recognized at the time of disbursement from Central/Local General Treasury Account.

32. Specifically, expenditure through the disbursing treasurer, recognized at the moment those expenditures are approved by the unit which has a treasury function.

33. Expenditure recognition In public service agency, refer 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 the grouping of expenditure based on the type of expenditure to implement an activity. The economic classifications for the central government are employement expenditures, goods expenditures, capital expenditures, interest, subsidies, grants, social assistance, and other expenditures. The economic classification for local governments include employement expenditures, goods expenditures, capital expenditures, interest, subsidies, grants, social assistance, and unexpected expenditures.

36. Operating expenditures are budget expenditures for daiyly central/local governments activities which give short-term benefits. Operating expenditures include employment 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/unexpected expenditures are budget expenditures for unusual activities and are not expected to recur, such as a natural disaster response, social disasters, and other unexpected expenditures that are urgently needed in implementing the authority of central/local governments.

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

Operating Expenditure:	
- Employee 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 cash from reporting entities to other reporting entities such as balance funds expenditures by the central government and revenue sharing funds by local governments.

41. Classification by organization is the classification based on the organizational units of budget users. The expenditure classification by organizational within central government among others, expenditure per ministry/agencies and their sub organizational units. The classification of expenditure by organization in local government among others, Secretariat of

the Council of the Regional Representatives (Local Parliament), the Regional Secretariat of the province/district/city, government agencies of the province/district/city and regional technical agencies of the province/district/city.

42. Classification by function is a classification which is based on the main functions of the central/local government to deliver 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 of expenditure (refund receipts) that occur in the period of expenditure are recognized as a reduction of expenditures in the same period. If received in a subsequent period, corrections of expenditures are recognized as other revenue.

46. The accounting of expenditures is prepared not only to meet accountability according to regulations but also be developed for management control purposes to measure the effectiveness and efficiency of those expenditures.

SURPLUS/DEFICIT ACCOUNTING

47. The difference between the revenue and expenditure during a reporting period is recognized as a Surplus/Deficit.

48. Surplus is the excess of revenue and expenditure during a reporting period.

49. Deficit is the shortfall between revenue and expenditure during a reporting period.

ACCOUNTING FOR FINANCING

50. Financing refers 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 may come from, among others, loans and proceeds of divestment. Meanwhile, financing expenditures may include repayment of loan principal, lending to other entities, and government equity payment.

ACCOUNTING FOR FINANCING RECEIPTS

51. Financing receipts are all the receipts into State/Local General Treasury Cash Account, which include from, among others, loans receipts, sale of government bonds, proceeds from privatization of State/Local owned enterprises, repayments of loans provided to third parties, 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, record receipt at gross amount, and not recording net amounts (i.e. after offseting against expenditures).

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

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 provisioning of reserve funds.

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

57. The provisioning of reserve fund adds to the relevant reserve fund. The proceeds from management of the reserve fund in local government are additions to the reserve fund. The proceeds are recognized as revenue in the items of other local government own-source revenue.

ACCOUNTING FOR NET FINANCING

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

59. Any excess/shortfall between receipts and expenditures for a financial reporting period are recognized in Net Financing.

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

60. The surplus/deficit after budget financing is the difference between the realization of receipts and expenditures for a reporting period.

61. The surplus/deficit balance between the realization of revenue and expenditure, and financing receipts and expenditures for a reporting period are recognized in the SiLPA/SiKPA.

62. The surplus/deficit balance for budget financing at the end of a reporting period is transferred to the Statement of Changes in Excess Budget Balance.

FOREIGN CURRENCY TRANSACTIONS

63. Transactions in foreign currencies are recognized in rupiah.

64. In terms of available funds in the same foreign currency that used in the transaction, then the transaction denominated in a foreign currency shall be accounted

by converting it into rupiah based on the central bank's 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 recognized in rupiah, based on the transaction exchange rate, that is, in the amount of rupiah that is used to acquire 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
Budget Realization Report
for the Periods Ending Dec 31, 20x1 and 20x0

(iRupiah)

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	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	xxx	xxx	xx	xxx
18					
19	Grant Revenue				
20	Grant Revenue	xxx	xxx	xx	xxx
21	Total Grant Revenue	xxx	xxx	xx	xxx
22	Total Revenue	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	xxx	xxx	xx	xxx
34					
35	Capital Expenditures:	xxx	xxx	xx	xxx
36	Land Expenditure	xxx	xxx	xx	xxx
37	Equipment and Machinery Expenditure	xxx	xxx	xx	xxx
38	Building and Construction Expenditure	xxx	xxx	xx	xxx
39	Roads, Irrigation and Network Expenditure	xxx	xxx	xx	xxx
40	Other Fixed Assets Expenditure	xxx	xxx	xx	xxx
41	Other Assets Expenditure	xxx	xxx	xx	xxx
42	Total Capital Expenditures	xxx	xxx	xx	xxx
43	TOTAL EXPENDITURES	xxx	xxx	xx	xxx
44					

45	Transfers:				
46	BALANCE FUNDS:				
47	Tax Revenue Sharing Fund	xxx	xxx	xx	xxx
48	Natural Resources Revenue Sharing Fund	xxx	xxx	xx	xxx
49	General Allocation Fund	xxx	xxx	xx	xxx
50	Special Allocation Fund	xxx	xxx	xx	xxx
51	Total Balance Funds	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	xxx	xxx	xx	xxx
57	Total Treansfers	xxx	xxx	xx	xxx
58	Total Expenditure And Transfer	xxx	xxx	xx	xxx
59					
60	Surplus/Deficit	xxx	xxx	xx	xxx
61	Financing:				
62	Receipts:				
63	Domestic Financing Receipts:				
64	Use of Excess Budget Balance	xxx	xxx	xx	xxx
65	Domestic Loan Receipt-Banking Sector	xxx	xxx	xx	xxx
66	Domestic Loan Receipt-Bonds	xxx	xxx	xx	xxx
67	Domestic Loan Receipt-Other	xxx	xxx	xx	xxx
68	Receipt from Divesment	xxx	xxx	xx	xxx
69	State Enterprise Loan Repayment Receipt	xxx	xxx	xx	xxx
70	Local Enterprise Loan Repayment Receipt	xxx	xxx	xx	xxx
71	Total Domestic Financing Receipt	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	xxx	xxx	xx	xxx
77	Total Financing Receipts	xxx	xxx	xx	xxx
78					
79	Expenditures:				
80	Domestic Financing Expenditures:				
81	Domestic Loan Principal Payments-Banking Sector	xxx	xxx	xx	xxx
82	Domestic Loan Principal Payments-Bonds	xxx	xxx	xx	xxx
83	Domestic Loan Principal Payments-Other	xxx	xxx	xx	xxx
84	Government Equity Participation Expenditure	xxx	xxx	xx	xxx
85	Provision of Loans to State Enterprises	xxx	xxx	xx	xxx
86	Provision of Loans to Local Enterprises	xxx	xxx	xx	xxx
87	Total Domestic Financing Expenditures	xxx	xxx	xx	xxx
88					
89	Foreign Financing Expenditures:	xxx	xxx	xx	xxx
90	Foreign Loan Payment	xxx	xxx	xx	xxx
91	Provision of Loans to International Agencies	xxx	xxx	xx	xxx
92	Total Foreign Financing Expenditures	xxx	xxx	xx	xxx
93	Total Financing Expenditures	xxx	xxx	xx	xxx
94	Net Financing	xxx	xxx	xx	xxx

95	Surplus/Deficit Budget Financing Balance	xxx	xxx	xx	xxx

(Ilustration 02.B)

Provincial Government
Local Budget Realization Report
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	xxxx	xxxx	xx	xxxx
8					
9	Transfer Revenue:				
10	Central Government Transfer Revenue-Balance Fund				
11	Tax Revenue Sharing Fund	xxx	xxx	xx	xxx
12	Natural Resources Revenue Sharing Fund	xxx	xxx	xx	xxx
13	General Allocation Fund	xxx	xxx	xx	xxx
14	Special Allocation Fund	xxx	xxx	xx	xxx
15	Total Balance Fund Tranfer Revenue Transfer Dana Perimbangan	xxxx	xxxx	xx	xxxx
16					
17	Other Central Government Transfr				
18	Special Autonomy Fund	xxx	xxx	xx	xxx
19	Adjusment Fund	xxx	xxx	xx	xxx
20	Total Other Transfer Revenue (18 s/d 19)	xxxx	xxxx	xx	xxxx
21	Total Transfer Revenue (15 + 20)	xxxx	xxxx	xx	xxxx
22					
23	Other Legal Revenue:				
24	Grant Revenue	xxx	xxx	xx	xxx
25	Emergency Fund Revenue	xxx	xxx	xx	xxx
26	Other Revenue	xxx	xxx	xx	xxx
27	Total Other Legal Revenue (24 s/d 26)	xxx	xxx	xx	xxx
28	TOTAL REVENUE (7 + 21 + 27)	xxxx	xxxx	xx	xxxx
29	Expenditures:				
30	Operating Expenditures:				
31	Civil Servant Expenditure	xxx	xxx	xx	xxx
32	Goods Expenditure	xxx	xxx	xx	xxx
33	Interest Expenditure	xxx	xxx	xx	xxx
34	Subsidies Expenditure	xxx	xxx	xx	xxx
35	Grant Expenditure	xxx	xxx	xx	xxx
36	Social Expenditure	xxx	xxx	xx	xxx
37	Total Operating Expenditures (31 s/d 36)	xxxx	xxxx	xx	xxxx
38					
39	Capital Expenditures:				
40	Land Expenditure	xxx	xxx	xx	xxx
41	Equipment and Machinery Expenditure	xxx	xxx	xx	xxx
42	Building and Construction Expenditure	xxx	xxx	xx	xxx
43	Roads, Irrigation and Network Expenditure	xxx	xxx	xx	xxx
44	Other Fixed Assets Expenditure	xxx	xxx	xx	xxx
45	Other Assets Expenditure	xxx	xxx	xx	xxx
46	Total Capital Expenditures (40 s/d 45)	xxxx	xxxx	xx	xxxx
47					

48	Unexpected Expenditures:				
49	Unexpected Expenditure	xxx	xxx	xx	xxx
50	Total Unexpected Expenditure (49 s/d 49)	xxx	xxxx	xx	xxxx
51	Total Expenditures (37 + 46 + 50)	xxx	xxxx	xx	xxxx
52					
53	<u>Transfer</u>				
54	Transfer/Revenue Sharing To Districts/Cities				
55	Tax Revenue Sharing to Districts/Cities	xxx	xxx	xx	xxx
56	Levies Sharing to Districts/Cities	xxx	xxx	xx	xxx
57	Other Revenue Sharing to Districts/Cities	xxx	xxx	xx	xxx
58	Total Revenue Sharing Transfer to Districts/Cities (55 s/d 57)	xxx	xxxx	xx	xxxx
59	Total Expenditures & Transfers (51 + 58)	xxx	xxxx	xx	xxxx
60					
61	Surplus/Deficit (28 - 59)	xxx	xxx	xxx	xxx
62					
63	<u>Financing:</u>				
64					
65	Financing Receipts:				
66	Use of Exceed Budget Realization (SiLPA/SiKPA)	xxx	xxx	xx	xxx
67	Disbursement of Reserve Funds	xxx	xxx	xx	xxx
68	Proceeds from Sales of Local Managed Assets Revenue	xxx	xxx	xx	xxx
69	Domestic Loan Receipt - Central Government	xxx	xxx	xx	xxx
70	Domestic Loan Receipt - Other Local Government	xxx	xxx	xx	xxx
71	Domestic Loan Receipt - Banking Institution	xxx	xxx	xx	xxx
72	Domestic Loan Receipt - Non Banking Institution	xxx	xxx	xx	xxx
73	Domestic Loan Receipt-Bonds	xxx	xxx	xx	xxx
74	Domestic Loan Receipt-Other	xxx	xxx	xx	xxx
75	State Enterprise Loan Repayment Receipt	xxx	xxx	xx	xxx
76	Local Enterprise Loan Repayment Receipt	xxx	xxx	xx	xxx
77	Other Local Government Loan Repayment Receipt	xxx	xxx	xx	xxx
78	Total Financing Receipts (66 s/d 77)	xxxx	xxxx	xx	xxxx
79					
80	Financing Expenditures:				
81	Establishment of Reserve Fund	xxx	xxx	xx	xxx
88	Local Government Equity Participation	xxx	xxx	xx	xxx
82	Domestic Loan Principal Payments - Central Govt	xxx	xxx	xx	xxx
83	Domestic Loan Principal Payments - Other Local Government	xxx	xxx	xx	xxx
84	Domestic Loan Principal Payments - Banking Institution	xxx	xxx	xx	xxx
85	Domestic Loan Principal Payments - Non Banking Institution	xxx	xxx	xx	xxx
86	Domestic Loan Principal Payments - Bonds	xxx	xxx	xx	xxx
87	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 Expenditures (81 s/d 91)	xxx	xxx	xx	xxx
93	Net Financing (78 - 92)	xxxx	xxxx	xx	xxxx
94					
95	Surplus/Deficit Financing Balance(61+93)	xxxx	xxxx	xx	xxxx

(Ilustration 2.C)

District/City Government
Local Budget Realization Report
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 s/d 6)	xxxx	xxxx	xx	xxxx
8					
9	Transfer Revenue:				
10	Central Government Transfer Revenue-Balance Fund				
11	Tax Revenue Sharing Fund	xxx	xxx	xx	xxx
12	Natural Resources Revenue Sharing Fund	xxx	xxx	xx	xxx
13	General Allocation Fund	xxx	xxx	xx	xxx
14	Special Allocation Fund	xxx	xxx	xx	xxx
15	Total Balance Fund Tranfer Revenue Transfer	xxxx	xxxx	xx	xxxx
16					
17	Other Central Government Transfer				
18	Special Autonomy Fund	xxx	xxx	xx	xxx
19	Adjusment Fund	xxx	xxx	xx	xxx
20	Total Other Central Government Transfer	xxxx	xxxx	xx	xxxx
21					
22	Provincial Government Transfer				
23	Tax Revenue Sharing Fund	xxx	xxx	xx	xxx
24	Other Revenue Sharing	xxx	xxx	xx	xxx
25	Total Provincial Government Transfer	xxxx	xxxx	xx	xxxx
26	Total Revenue Transfer	xxxx	xxxx	xx	xxxx
27					
28	Other Legal Revenue:				
29	Grant Revenue	xxx	xxx	xx	xxx
30	Emergency Fund Revenue	xxx	xxx	xx	xxx
31	Other Revenue	xxx	xxx	xx	xxx
32	Total Other Legal Revenue	xxx	xxx	xx	xxx
33	Total Revenue	xxxx	xxxx	xx	xxxx
34					
35	Expenditure				
36	Operating Expenditure				
37	Civil Servant Expenditure	xxx	xxx	xx	xxx
38	Goods Expenditure	xxx	xxx	xx	xxx
39	Interest Expenditure	xxx	xxx	xx	xxx
40	Subsidies Expenditure	xxx	xxx	xx	xxx
41	Grant Expenditure	xxx	xxx	xx	xxx
42	Social Expenditure	xxx	xxx	xx	xxx
43	Total Operating Expenditure	xxxx	xxxx	xx	xxxx
44					
45	Capital Expenditure				
46	Land Expenditure	xxx	xxx	xx	xxx
47	Equipment and Machinery Expenditure	xxx	xxx	xx	xxx
48	Building and Construction Expenditure	xxx	xxx	xx	xxx
49	Roads, Irrigation and Network Expenditure	xxx	xxx	xx	xxx
50	Other Fixed Assets Expenditure	xxx	xxx	xx	xxx
51	Other Assets Expenditure	xxx	xxx	xx	xxx
52	Total Capital Expenditure	xxxx	xxxx	xx	xxxx
53					

54	Unexpected Expenditures:				
55	Unexpected Expenditure	xxx	xxx	xx	xxx
56	Total Unexpected Expenditure	xxx	xxxx	xx	xxxx
57	Total Expenditure	xxxx	xxxx	xx	xxxx
58					
59	<u>Transfer</u>				
60	Transfer/Revenue Sharing To Villages				
61	Tax Revenue Sharing	xxx	xxx	xx	xxx
62	Levies Sharing	xxx	xxx	xx	xxx
63	Other Revenue Sharing	xxx	xxx	xx	xxx
64	Total Transfer/Revenue Sharing to Villages	xxx	xxxx	xx	xxxx
65					
66	Surplus/Deficit	xxx	xxx	xxx	xxx
67					
68	<u>Financing</u>				
69					
70	Financing Receipt				
71	Use of Exceed Budget Realization (SiLPA/SiKPA)	xxx	xxx	xx	xxx
72	Disbursement of Reserve Funds	xxx	xxx	xx	xxx
73	Proceeds from Sales of Local Managed Assets Revenue	xxx	xxx	xx	xxx
74	Domestic Loan Receipt - Central Government	xxx	xxx	xx	xxx
75	Domestic Loan Receipt - Other Local Government	xxx	xxx	xx	xxx
76	Domestic Loan Receipt - Banking Institution	xxx	xxx	xx	xxx
77	Domestic Loan Receipt - Non Banking Institution	xxx	xxx	xx	xxx
78	Domestic Loan Receipt-Bonds	xxx	xxx	xx	xxx
79	Domestic Loan Receipt-Other	xxx	xxx	xx	xxx
80	State Enterprise Loan Repayment Receipt	xxx	xxx	xx	xxx
81	Local Enterprise Loan Repayment Receipt	xxx	xxx	xx	xxx
82	Other Local Government Loan Repayment Receipt	xxx	xxx	xx	xxx
83	Total Financing Receipt	xxxx	xxxx	xx	xxxx
84					
85	Financing Expenditure				
86	Establishment of Reserve Fund	xxx	xxx	xx	xxx
87	Local Government Equity Participation	xxx	xxx	xx	xxx
88	Domestic Loan Principal Payments - Central Government	xxx	xxx	xx	xxx
89	Domestic Loan Principal Payments - Other Local Government	xxx	xxx	xx	xxx
90	Domestic Loan Principal Payments - Banking Institution	xxx	xxx	xx	xxx
91	Domestic Loan Principal Payments - Non Banking Institution	xxx	xxx	xx	xxx
92	Domestic Loan Principal Payments - Bonds	xxx	xxx	xx	xxx
93	Domestic Loan Principal Payments - Other	xxx	xxx	xx	xxx
88	Provision of Loans to State Enterprises	xxx	xxx	xx	xxx
89	Provision of Loans to Local Enterprises	xxx	xxx	xx	xxx
90	Provision of Loans to Other Local Government	xxx	xxx	xx	xxx
91	Total Financing Expenditure	xxx	xxx	xx	xxx
92	Net Financing	xxxx	xxxx	xx	xxxx
93					
94	Surplus/Deficit Budget Financing Balance (66 + 92)	xxxx	xxxx	xx	xxxx

GOVERNMENT ACCOUNTING STANDARD
STATEMENT NO. 03

STATEMENT OF CASH FLOW

Note: *This version of the accrual based Government Accounting Standard Is an english translation of the original Bahasa Indonesia version. Should there be a difference in meaning between the translated version (English) and the original version (Bahasa Indonesia), Then the original version is favored over the translated version*

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ACCRUAL BASIS GOVERNMENT ACCOUNTING STANDARD

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

Purpose

1. ***The purpose of this Standard is to regulate the presentation of the Statement of Cash Flows which present 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, institution of central and local governments, or other institution if required by laws and regulations or this standards. Unit of government shall prepare a Statement of Cash Flows, except for the state/local own 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 that have been estimated previously.

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

7. When related to other financial statements, the Statement of Cash Flows provides useful information for users 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 public, and can be measured in terms of

money, including non-financial resources required to deliver public services and resources that are maintained because of history and culture.

Cash flows is inflows and outflow of cash and cash equivalents in the State/Local General Treasury.

Operating activities are cash inflows and outflows intended for government operational activities during an accounting period.

Investing activities are cash inflows and outflows intended for the acquisition and disposal of fixed assets and other investments except cash equivalents.

Financing activities 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.

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

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

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

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

Transfers Expense is an expenses in the form of cash outflow or obligation to disburse cash from a reporting entity to another reporting entity as required by laws and regulations.

Reserve Funds are provision funds to meet required large funds that cannot be fulfilled within one budget year.

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

Reporting Entity is a unit of government consisting of one or more accounting entities or reporting entities in accordance with the regulation, and are required to present an accountability reports in the form of financial statements.

Cash is cash and bank deposits that are available to finance government activities.

Local Government Account is a depository account of local government funds, determined by governor/regent/mayor, to receive all local government revenues and to pay all local government expenditures.

Central Government Account is a depository account of Central Government Funds, determined by Minister of Finance as General Treasurer, to receive all central government revenues and to pay all central government 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 rate at which one currency can be exchanged for another currency.

Foreign currency is a currency other than reporting currency.

Reporting currency ***is functional currency (rupiah) used in presentation of financial statements.***

Cost method ***is an accounting method that recognize investments at the price of acquisition.***

Equity method ***is an accounting method that recognize the initial investment value at cost. The investment value then adjusted according to the change in the investor's share of net assets/equity of the investeethat occur after the initial investment acquisition.***

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 transactions, deferrals or accrual of past/future cash receipts or payments, as well as the elements of receipts and expenditures in cash related to investing and financing activities.***

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

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

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

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

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

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

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

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

11. Transfer between cash and cash equivalents is not presented in the financial statement because such transfer are part of the cash management and are not part of operating, investing, financing, and transitory activities.

CASH FLOW REPORTING ENTITY

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

(a) The central government;

(b) Local governments;

(c) Ministry or agency in the central government, and;

(d) Organizational units within central/local governments or any other organization, according to laws and regulations, are required to present financial statements.

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

14. The organizational units that has a 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 part of financial statements, presenting information on cash receipts and expenditures for a certain period, classified according to operating, investing, financing, and transitory activities.***

16. Classification of cash flows according to operating, investing, financing, and transitory activities provides information that enable users to assess the impact of those 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 spesific transaction may affect cash flows from several activities, such as debt repayment transaction consisting of the repayment of the principal and interest. The payment of principal will be classified into financing activities while interest payments will generally be classified into operating activities, unless the capitalized interest is classified into investing activities.

18. Ilustration of the statement of cash flows prepared base on the financial accounts are attached in this statement. The illustrations are examples only and do not part of this statement.

19. ***In the case the relevant entity still records receipts and expenditures in cash book, based on budget execution accounts, the statement of cash flow can be presented by referring to those budget execution accounts.***

20. The accounts referred to as budget execution accounts are those related to revenues, expenditures, transfers, financing, and non-budget transactions, which in the Statement of Cash Flows are classified 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 government's operational capacity to generate sufficient cash to finance its operational activities in the future without relying on external funding sources.

23. Cash inflows from operating activities are mainly obtained 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/Extraordinary revenues, and
(f) Transfer receipts.

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

(a) Employement expenditure;
(b) Goods expenditure;
(c) Interest expenditure;
(d) Subsidies expenditure;
(e) Grants expenditure;
(f) Social benefit expenditure;
(g) Other/Extraordinary expenditure; and
(h) Transfers expenditure.

25. ***If a reporting entity has securities that are similar in nature to inventory, purchased for sale, then the acquisition and sale of those securities are classified as operating activities.***

26. ***If the reporting entity authorizes funds for activities of another entity, and the purpose is not yet clear whether as working capital, capital contribution or to finance current period acitivities, 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 to 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 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 changes in the amount and composition of long-term receivables and long-term debt.***

32. Cash flows from financing activities reflect the 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, that are 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 petty cash to/from the expenditure treasurer and remittances. PFK describes cash from the funds deducted from Payment Orders or recieved in cash for third party, such as pension fund and healthy insurance 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 cash transfers in and refunds of petty cash from the expenditure treasurer.

38. Cash outflows from transitory activities includes PFK expenditure and transitory expenditure such as cash transfers out and the provision of petty cash 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 unless stated in paragraph 40.***

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

(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 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) Providing better information to estimate future cash flows;
(b) More understandable, and;
(c) Data on the gross cash receipts and expenditures can be directly obtained from the accounting records.

REPORTING CASH FLOWS BASE ON NET CASH FLOW

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 interest of beneficiaries reflect the activities of the other parties rather than the activities of the government. One example is the proceeds from operational cooperation.

(b) Cash receipts and expenditures for transactions that have a fast turnover, large in volume, and short-term duration.

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 own 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 own 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 presented in the***

Statement of Cash Flows. These transaction must be disclosed in the Notes to Financial Statements.

58. Non cash transactions are excluded from the statement of cash flows, consistent with the purpose of the statement of cash flows, because non cash transactions do not affect cash flows in the relevant 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 components of cash and cash equivalents in the Statement of Cash Flows with amounts equal to the related items 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 diclosed in the Notes to Financial Statements.***

61. Additional information related to the cash flows is useful to 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 s/d 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 s/d 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 s/d 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 s/d 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 s/d 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 s/d 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 s/d 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 s/d 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 s/d 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 s/d 42)	xxx	xxx
44	Cash Outflows:		
45	Establishment of Reserve Funds	xxx	xxx

46	Acquisition of Land	xxx	xxx
47	Acquisition of Equipment and Machinery	xxx	xxx
48	Acquisition of Building and Construction	xxx	xxx
49	Acquisition of Road, Irrigation and Networks	xxx	xxx
50	Acquisition of Other Fixed Assets	xxx	xxx
51	Acquisition of Other Assets	xxx	xxx
52	Local Government Equity Participation	xxx	xxx
53	Purchases of Nonpermanent investment Expenditure	xxx	xxx
54	Total Cash Outflows (45 s/d 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 s/d 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 s/d 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 s/d 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 s/d 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 s/d 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 s/d 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 s/d 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 s/d 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
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*

Table of Contents

ACCRUAL BASIS GOVERNMENT ACCOUNTING STANDARD
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

Purpose

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

2. The purpose of the presentation of notes to financial statementsis 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 Expenditure and Revenue Budget (APBD)</u> is the local government annual financial plan agreed by local legislatures.

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

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

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

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

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

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

Equity 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.

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

Liabilities 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 subsequent 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 Excess Budget Balance 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.*

***Excess 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.*

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 notes to financial statementsthat contain information to enable users to understand the Financial Reports.

10. Misunderstandings 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 Budget Realization Report, Balance Sheet, Statement of Financial Performance 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 Budget Realization Report, Statement of Changes in the Excess Budget Balance, the Balance Sheet, Statement of Financial Performance, 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, notes to financial statementsdisclose 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 notes to financial statementscan 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. ***Notes to financial statementsmust 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) the statutory provisions that underlie its operations.

PRESENTATION OF INFORMATION OF FISCAL/FINANCIAL POLICIES AND MACROECONOMY

19. ***Notes to financial statementsmust 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, notes to financial statementsmust 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 notes to financial statementsare 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 notes to financial statementsare 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 SUMMARY OF FINANCIAL TARGET ACHIEVEMENT DURING THE CURRENT REPORTING YEAR, CONSTRAINTS AND OBSTACLES ENCOUNTERED IN TARGET ACHIEVEMENT

24. ***Notes to financial statementsmust be able to explain significant changes to the budget during the current period compared with the budget first approved by DPR/DPRD, 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 DPR/DPRD. So that readers of the financial reports can follow the condition and development of the budget, an explanation of any changes approved by the DPR/DPRD, 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 budget realization report, statement of changes of the excess

budget balance, balance sheet, Statement of Financial Performance, 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) Professional 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 Budget Realization Report, Statement of Changes in the Excess Budget Balance, Balance Sheet, Statement of Financial Performance, 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.***

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

51. ***Notes to financial statementsshould present details and explanations for each item in the Budget Realisation Report, the Statement of Changes in Excess Budget Balance, the Balance Sheet, the Statement of Financial Performance, the Statement of Cash Flows, and the Statement of Changes in Equity.***

52. Explanation of Budget Realization Report 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 Excess Budget Balance is presented for the Excess Budget Balance in the initial period, changes in the Excess Budget Balance, Budget Financing Surplus/Deficit Balance (SiLPA/SiKPA) in the current year, corrections to prior year accouting errors, and the Excess Budget Balance 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 Financial Performance 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. ***Notes to financial statementsshould 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 notes to financial statementsmust 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 notes to financial statementsshould 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. ***Notes to Financial Statements must also disclose information that, if not disclosed, would mislead the report reader.***

62. Notes to 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, notes to financial statementsare 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
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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ACCRUAL BASIS GOVERNMENT ACCOUNTING STANDARD
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 own 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) Acquisition 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 Statement of Financial Performance 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 obsolete.

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
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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ACCRUAL BASIS GOVERNMENT ACCOUNTING STANDARD STATEMENT NO. 06 ACCOUNTING FOR INVESTMENTS (REV 2016)

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

INTRODUCTION

Objective

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

Scope

2. This standard is to prescribe recognition, measurement, presentation and disclosures of government investment in the financial statement for general purposes.

3. This statement applies to reporting entities in preparing the financial statements of central government, local governments, and consolidated financial statements, and does not apply to state/local owned enterprises.

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

5. This Standard does not prescribe to:

(a) Cash in the scope of cash equivalents;

(b) Joint arrangement which comprise joint operation and joint venture;

(c) Jointly asset; and

(d) Investment Property.

Accounting for joint arrangement and jointly asset and investment property, stipulated in a separate statement.

DEFINITIONS

6. The following terms are used in this Standard with the meanings specified:

<u>Cost</u> are all costs disbursed by the investor (government) in the form of cash or cash equivalents or fair value of an asset which is transferred by a particular consideration in the acquisition of an investment at the date of acquisition.

<u>Investments</u> are assets that are intended to obtain economic benefits such as interest, dividends, and royalties, and/or social benefits, then increase the ability of government to provide public services.

<u>Short-term investments</u> are investments that are readily convert to cash and are intended to be held for 12 (twelve) months or less.

<u>Long-term investments</u> are investments intended to be held more than 12 (twelve) months.

<u>Non-permanent investments</u> are long-term investments that are not included in permanent investments, and are not to be held sustainability.

<u>Permanent investments</u> are long-term investments which are intended to be held sustainability.

<u>Social benefits</u> 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 improving government services, i.e. healthcare, education, housing and transportation services to public or a particular community in order to fulfill government's social policy.

<u>Cost method</u> is an accounting method that recognize an investments at the price of acquisition.

<u>Equity method</u> is an accounting method that recognize initial investment at cost. Cost of investment than adjusted based in changed government's share of investee's equity after initial acquisition of an investment.

<u>Nominal</u> is value investment securities such as value that are stated in share and bond certificates.

<u>Market value</u> is amount from the sale of an investment securities in an active market between independent parties.

<u>Fair value</u> is value where assets could be exchanged or liabilities could be settled between parties and in arm's length transaction.

<u>State/local own enterprises</u> are business entities that are fully or partially owned by central/local government.

TYPES OF INVESTMENTS

7. Government investments intended to, among others, controlling business entities to implement fiscal/public policy, to obtain economic benefits such as interest, dividend and royalty, and/or long-term social benefits or to utilize idle fund in order for short term cash management.

8. There are several types of investments that can be verified by a certificate or other similar document. Nature of an investments could be in the form of purchasing debt securities both in short or long term, and equity instruments.

CLASSIFICATION OF INVESTMENT

9. Government investment classified into two groups, short-term and long-term investments. Short-term investments classified in current assets and long-term investments classified in non-current assets.

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

(a) Can be sold immediately/liiquid;

(b) Investment is intended to cash management, investment may be dispose by government to fulfill cash requirements and government may buyback the investment when there is surplus, to optimilize asset productivity; and

(c) Investment has a low risk.

11. Iinvestments that are not include in short-term investments include, among others:

(a) Government investment in order to control a business entity, i.e. purchasing securities to increase equity's ownership share in a business entity;

(b) Government investment in order to keep maintain an institutional partnership, i.e. acquisition of domestic or international securities in order to have an influence to those entities; or

(c) Securities that are not intended to be liquidated in order to meet a cash demands.

12. Investments that classified as short-term investments, include among others:

(a) Cash deposit three to twelve months and/or automatic roll over (revolving deposits);

(b) Short-term government securities and central bank securities.

(c) Share available for sale in 12 months or less, after the reporting date.

(d) Mutual funds.

13. Long-term investments classified according to investment purposes, permanent and non-permanent. Permanent investments are long-term investments which are hold on sustainability basis, non-permanent investments are long-term investments which are not hold on a sustainability basis.

14. The term sustainability is investments intended to be hold on sustainability without any intention to trade or dispose it. The term of nonsustainability is ownership of investments would hold to maturity more than 12 (twelve) months, but held without intention of permanent ownership or resale or redemption purposes.

15. Government permanent investment are investments that are not held for sale, but to get dividends and/or have a the long term significant influence/or maintain institutional partnership. Permanent investments could be:

(a) Government equity participation in state/local own 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 enhance public services.

16. Non-permanent investments, could be among others:

(a) Bonds or long-term debt securities intended to be held to maturity;

(b) Equity investments in development projects that can be diverted to third party;

(c) Fund allowance in order to public services, i.e. revolving fund;

(d) Other non-permanent investments.

17. Government equity participation could be in securities (company's shares) or non-securities. Government equity participation in a non-securities is equity ownership in non private company or institution/organization.

18. Other permanent investment are investments that cannot be classified as government equity participation in a state/local own enterprises, international agencies, and other company, i.e. investments property that are not regulate in this statement.

RECOGNITION

19. Cash disbursement and/or asset conversion in order to acquire an investment, and grant in the form of investments can recognized as investments if they meet the following criteria:

(a) There are government future economic benefits and social benefits or service potential could be gain from investments;

(b) Cost or fair value of the investments could be measured reliable

20. To determine whether an asset expenditure and/or asset conversion, grant receipt in the form of investments meet the criteria for investment recognition in initial acquisition, entity shall assess the degree of certainty of future economic benefit inflow, social benefit or service potential based on evidence that are available at the initial recognition. The sufficient certainty of the future economic benefit or service potential need an assurance that the entity will receive benefit from those assets and take a possible risks.

21. Recognition criteria for investments as stated in paragraph 19 (b), ordinarily could be fulfilled because of exchange transaction or purchase transaction supported by acquisition documents. In certain circumstances, an investment may be acquired didn't based on cost of acquisition, or fair value. In such circumstances, entity may use appropriate estimates.

MEASUREMENT

22. For some investments, there is an active market that can determine market value. In that circumstances, market value are used as fair value. Investments that do not have an active market measured in nominal, carrying value or other fair value.

23. Short-term investments in marketable securities, such as share and short-term bonds, are recognized at cost of acquisition. Cost of acquisition comprises transaction price, banking fee, and other costs of acquisition.

24. If investment in the form of securities without cost, then investment is measured at fair value at the date of acquisition at market price. If there is no fair value, then investment measured on fair value of other assets transferred for the investment.

25. Non-share short-term investment, i.e. short-term cash deposits, are recognized at nominal value of cash deposits.

26. Permanent long-term investment, i.e. government equity participation, are recognized at cost of acquisition including price of investment transaction plus other costs incurred at investment acquisition.

27. Non-permanent investment in long-term bonds and investment that are not intended to be owned sustainability, are measured at cost of acquisition.

28. ***Non-permanent investment for economic recovery, are measured at net realizable value.***

29. Non-permanent investment for econonic recovery, for example bailout to recover banking sector.

30. Non-permanent investment in government projects are measured at cost of construction, include planning cost and other completion cost until the project is handed over to a third party.

31. Non-permanent investment measured at net realizable value, if and only if the investment is a national policy that will disposed/sold or investment in receivable.

32. If investments is carried out within the framework of national policy to be disposed/sold, then investment measured at disposal/sale less disposal cost. If investment in receivable, investment measured at cost less allowance for doubtful.

33. If long-term investments are acquired through exchange of government assets, then investment recognized at fair value. If fair value does not available, investment recognized at fair value of assets transferred or book value of assets transferred if fair value does available.

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

35. Cost of acquisition of investment in foreign currency, acquired with the same foreign currency must be stated in rupiah using central bank exchange rate at the date of transaction.

36. A discount or premium on the purchase of investment is amortized over the period from the date of acquisition to maturity so earn a constant income from the investment.

37. Discount or premium is an increase or decrease of the carrying value. Discount or premium amortization will decrease discount or premium. Discount or premium amortization recognized as decrease or increase to interest revenue in the statement of financial performance. Interest revenue presented in statement of budget realization is not affected by discount or premium amortization.

38. If government investation presented at nominal or cost was impaired, then impairment shall be disclosed in notes to financial statement. Impairment occurred if carrying value higher than fair value.

INVESTMENT VALUATION METHODS

39. There are two methods of accounting for government investment:

(a) Cost method;

Investment measured at cost of acquisition. Earnings on investments measured at portion of income received and do not affect investment value.

(b) Equity method;

Investment measured at cost at initial acquisition, and increase or decrease by government's share of profit or loss after initial acquisition. Government's share of profit is recorded as investment revenue in the statement of financial performance and increasing government investment.

Cash dividend declared in board meeting recognized as dividend receivable and decrease government investment. Cash dividend received by government, will

decrease dividend receivable. Cash dividend recognized as investment revenue in the statement of budget realization.

Investment adjustment required due to changed in investee's equity, i.e. changed in investment due to changed in foreign exchange rate or asset revaluation. Investment adjustment recognized as increase or decrease in government's equity.

40. The use of method at paragraph 39 are based on the following criteria:

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

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

(c) Ownership more than 50% using equity method.

41. Under certain circumstances, criteria for the percentage of ownership of shares is not a determining factor in selection of investment accounting methods, however the determining factor is the degree of influence or control over the investee. Characteristics the degree of influence or control over the investee, among others:

(a) Ability to influence composition of board of commissioners;

(b) Ability to appoint or replace directors;

(c) Ability to control the majority of votes in a board meeting.

RECOGNITION OF INVESTMENT PROCEEDS

42. Investment income from short-term investments, among others interest from cash deposit and bond, are recognized as investment receivable in the balance sheet and investment revenue in the statement of financial performance. Cash receipt from investment revenue decrease investment receivable. Cash receipt from investment revenue recognized as investment revenue in the statement of budget realization.

43. Investment income from short-term investments or long-term non-permanet investment in the form of dividend income, recognized as dividend receivable in the balance sheet and investment revenue in the statement of financial performance when dividend income announced at the board meeting. Cash received from dividend income recognized as decreasing of dividend receivable. Cash received from dividend income recognized as revenue in the statement of budget realization.

44. In cost method, investment income in the form of dividend earned from government equity participation, recognized as dividend receivable when announced at board meeting and investment revenue in statements of financial performance. Cash dividend received, recognized as decrease in dividend receivable. Cash received from dividend income recognized as revenue in the statement of budget realization.

45. In cost method, investment income in the form of share from government equity participation, recornized as investment revenue in the statement of financial performance and increase government's investment in the balance sheet. Cash dividend recognized as dividend receivable and decrease in government's investment when announced in the board meeting. Cash dividend obtained by the government

will reduce dividend receivable. Cash dividend received recognized as investment revenue in the statement of budget realization. Dividend received in the form of shares do not increase government investment, therefore they are not recognized as revenue. Shares dividend then disclose in the notes to financial statement.

46. In equity method, loss on government investment recognized in the balance sheet until it becomes zero value. Unrecognized loss portion would disclosed in the notes to financial statement.

47. In equity method, investment may be decrease until becomes zero or negative due to loss. If losses result investment value becomes negative, the investment will be presented in the balance sheet at zero, the negative value will be disclosed in the notes to financial statements.

48. Recognition of profit sharing can be resumed when the profit sharing has been fully recovered unrecognized accumulated losses when the negative investment presented at zero.

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

50. If the losses result in a negative investment value and the government has a legal obligation to cover the losses of investee, then part of accumulated losses are recognized as liability.

51. Recognition of profit sharing when accumulated losses, recognized as decrease in lliability. It should be disclosed in the notes to the financial statement.

DISPOSAL OF INVESTMENT

52. Disposal of government investment can be in the form of sale of investment, exchange to other asset, government debt compensation, grant and donation, debt exemption for bond issuer, and so on.

53. The difference between disposal of investment and carrying amount must be recognized as gain/loss on disposal of investment. Gain/loss on disposal of investment are presented in the statement of financial performance.

DISCLOSURE

54. Additional information should be disclosed in the financial statements related to government investments, include, among others:

(a) Accounting policies to determine investment values;

(b) Types of investments, permanent and non-permanent;

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

(d) Significant decrease in investments and reasons;

(e) Fair value measurement and reasons;

(f) Reconciliation of the beginning and ending, with equity methods;

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

(h) ***Liabilities from accumulated losses which exceeding investment values in the case of government has a legal obligation;***

(i) ***Changes in investment classification;***

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

EFFECTIVE DATE

55. This Statement of Governmental Accounting Standards shall apply for budget year reporting beginning in 2017.

GOVERNMENT ACCOUNTING STANDARD
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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ACCRUAL BASIS GOVERNMENT ACCOUNTING STANDARD 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 recognition, determination of the carrying value, determination and accounting treatment of revaluations and impairments carrying amount of fixed assets.

Scope

2. ***This Standard is applied to all government unit that present general purpose financial reports and regulates accounting treatment, including recognition, valuation, presentation, and disclosures.***.

3. This Standard does not apply to:

(a) Forests and renewable natural resources (regenerative natural resources); and

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

However, this statement 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 to delivere public services and resources that are maintained for reasons of history and culture.

<u>Fixed assets</u> are tangible assets with a useful life of more than 12 (twelve) months, or are intended for use in government activities or for public use.

<u>Cost of acquisition</u> is cash or cash equivalents that have been paid and required to be paid or fair value of other consideration that have been transferred and required to be transferred to acquire an asset at the date of acquisition or construction to a condition and place where asset ready to be used.

<u>Useful life</u> is:

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

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

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

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

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

Depreciation ***is a systematic allocation of 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 to be presented on the balance sheet. Fixed assets of government Include:

(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. Asset held for consumption in government activities such as materials and supplies are not included as fixed assets,.

CLASSIFICATION

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

(a) Land;

(b) Equipment and machinery;

(c) Building;

(d) Roads, irrigation, and networks;

(e) Other fixed assets; and

(f) Construction In progress.

8. Land classified as fixed assets is land acquired to be used in the government activites and ready for use.

9. Buildings comprise all buildings, acquired to be used in the government activities and ready for use.

10. Equipment and machinery includes machinery and motor vehicles, electronic equipment, office equipment, and other equipment which have a significant value and their useful life more than 12 (twelve) months and ready for use.

11. Roads, irrigation, and networks include road, irrigation, and network, constructed by government and owned and/or controlled by government and ready for use.

12. Other fixed assets are asset that are not classified as land, equipment and machinery, building and roads, irrigation and networks, obtained and used for government activities and ready to be used.

13. Construction in progress includes assets that are in the process of construction, and not completed at the reporting date.

14. Fixed assets that are not used for government activities do not meet the definition of fixed assets and must be presented in other assets measured at their carrying amounts.

RECOGNITION

15. Fixed assets recognized when assets have a future economic benefit and realiably measurable. To be recognized as fixed assets, assets must meet the following criteria:

(a) Tangible;

(b) Has a useful life more than 12 (twelve) months;

(c) Cost of acquisition can be reliably measured;

(d) Assets not intended for sale in the normal activities; and

(e) Obtained or constructed to be use.

16. In determining whether an asset has a useful life more than 12 (twelve) months, an entity must assess future economic benefits from the asset, either directly or indirectly, in government activities. The benefits can be either government stream of income or cost savings. The future economic benefits to the entity can be ensured if the entity will receive a benefits and risks. Certainty only available if benefits and risks have been accepted. Asset acquisition cannot be recognized before future economic benefit will flow to the entity,.

17. The main purpose of fixed assets acquisition is supporting government activities and assets are not intended for sale.

18. Recognition of fixed assets will be reliable when fixed assets have been received or delivered and/or ownership is transferred.

19. The recognition of an asset will be reliable if there is evidence that there has been a transfer of ownership and/or legal control, such as certificates and 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.

MEASUREMENT

20. Fixed assets measured at cost of acquisition. If cost of acquisition is not available, then fixed assets measured at fair value at the date of acquisition.

21. Measurement could be reliable if there is an exchange transaction with invoice purchase to identifies the cost. In the case of asset acquired by construction, a reliably measurement of the cost can be acquired from external transactions for acquisition of raw materials, labor and other costs that are used in the construction process.

22. Cost of construction of fixed assets comprises of direct labor, raw materials, and indirect costs, including the cost of planning and supervision, equipment, electricity, rental of equipment, and other costs incurred into the construction process.

INITIAL VALUATION OF FIXED ASSET

23. Tangible assets that meet the qualifications to be recognized as an asset and classified as a fixed asset should be measured initially at cost of acquisition.

24. If fixed assets are acquired without value, cost of the asset is measured at fair value at the time the asset is acquired.

25. Fixed asset may be received by the government as a gift or donation. For example, land may be transferred to local government by developer without value, to build a parking lot, street, or pedestrians by the local government. Asset may also be obtained without value through the implementation of government authority. For example, due to authority and regulations, local governments seize land and buildings to be used as government office. For both of above, fixed assets acquired must be measured at fair value.

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 revaluation and consistent with the cost as in paragraph 23. Revaluation refer to paragraph 59 and other related paragraphs only applies to valuations for the next reporting period, not at the initial acquisition.

27. For the purposes of initial balance sheet, cost of acquisition of fixed assets use the fair value at the time initial balance sheet is prepared. For the following period after the intial balance sheet, the entity uses cost of acquisition or fair value if there is no cost of acquisition.

COST COMPONENT

28. Cost of acquisition of fixed asset comprises purchase price or construction, including import duties and any costs that directly attributable to the asset to the condition that asset ready to use.

29. Examples of costs that are directly attributable are:

(a) cost of site preparation;

(b) initial delivery charge, saving cost and handling cost;

(c) installation cost;

(d) professional fees such as architect or engineer; and

(e) construction cost.

30. Land initially recognized at cost of acquisition. Cost of acquisition includes purchase price or cost of land acquistion, certificate cost, cost of land clearing, site measurement cost, land filling cost, and other costs incurred or to be incurred until the land is ready for use. The value of land also includes old buildings on the land purchased if the old building is intended to be dismantled.

31. The acquisition cost of equipment and machinery representing the expenditure incurred and yet to be incurred to acquire equipment and machinery until it is ready to use. These costs among others, purchase price, freight costs, installation costs, and other direct costs to acquire and prepare until the equipment and machinery is ready to use.

32. The acquisition cost of buildings representing all expenditure incurred and yet to be incurred to acquire building until it is ready to use. These costs among others, purchase price or construction cost, including cost of administration, notaries and tax.

33. The acquisition cost of roads, irrigation, and networks representing all expenditures incurred and yet to be incurred to acquire 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 acquisition cost of other fixed assets representing all costs incurred and yet to be incurred to acquire those assets until they are ready to use.

35. Administration cost and other general costs do not representing components of fixed asset cost as long as these costs are not directly attributable to the cost of acquisition of the asset or bringing the assets ready to use. Similarly, start-up costs and similar pre-production costs do not representing cost of an asset unless they are necessary to bring the asset ready to use.

36. Cost of acquisition of an asset that constructed by entity itself is determined using the same principles as an assets purchased.

37. Any trade discounts and rebates are deducted from the purchasing price.

CONSTRUCTION IN PROGRESS

38. If the completion of construction of fixed asset exceeds and or passes a budget year period, unfinished fixed asset is classified and presented as construction in progress until construction of asset is completed and ready for use.

39. The Statement of Government Accounting Standards No. 08 Construction In Progress regulates the treatment of assets under construction, including details of the construction cost of fixed asset that constructed by the entity or constructed by a contractor. Principles in SGAS 08 applied if not stated in this SGAS.

40. Completed construction in progress should be reclassified into one of the appropriate accounts in fixed assets.

JOINT ACQUISTION

41. Cost of acquisition fixed asset that is acquired jointly is determined by allocating the joint cost based on a proportion of the fair value of each asset.

EXCHANGES OF ASSETS

42. Fixed asset can be acquired through exchange or partial exchange of dissimilar assets or other assets. Cost of asset measured at fair value of the acquired assets, i.e. an equivalent carrying amount of assets disposed after adjusted to the amount of any cash or cash equivalents and other liabilities transferred/delivered.

43. Fixed asset can be acquired through exchange of similar asset that has a same benefits and has a similar fair value. Fixed asset can also be released in exchange for a similar asset. In these circumstances there are no recognized gain or loss in this transaction. Costs of acquired asset are recognize at the carrying amount of the assets disposed.

44. Fair value of assets received can provide evidence, that there is impairment of asset disposed. In these circumstances, assets disposed must be written-down and the value after write-down represent the value of the assets received. Examples of exchange of similar assets include the exchange of buildings, machinery, special equipment, and aircraft.

If there are other assets in exchange, for example cash or other liabilities, then it is indicated that items exchanged do not have the same value.

DONATION ASSETS

45. Fixed assets acquired from donations must be recognized at fair value at the time of acquisition.

46. Donations of fixed assets are defined as uncondition transfer of fixed asset to an entity, for example a non-government enterprise transfer a building to be used by government without any condition. The handover of the asset will be very reliable if supported by legal transfer of ownership, such as a grant deed.

47. Excluding from acquisition donation assets, when the transfer of fixed asset is related to the entity’s liability to the government, then acquisition of fixed asset should be treated as an assets acquisition through exchange transaction.

48. If the asset acquisition meets the criteria of an asset acquired by donation, then the acquisition recognized as operating revenue.

SUBSEQUENT EXPENDITURES

49. Expenditures after initial acquisition of fixed asset that extends useful life or has a future economic benefits in the form of capacity, quality, or standard of performance, must be added to the carrying amount of the asset.

50. Capitalization of costs referred to in paragraph 49 should be set out in the accounting policies, such as criteria in paragraphs 49 and/or capitalization thresholds to be used in determination of capital expenditure.

51. Government organizations have a vary greatly in amount and use of fixed assets, capitalization thresholds cannot be standardized for all entities. Each entity should set an amount of capitalization based on their financial capacity and it’s activities. Capitalization thresholds must be applied consistently and disclosed in the Notes to the Financial Statements.

SUBSEQUENT MEASUREMENT

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 systematic allocation of a depreciable assets over useful life of the asset.

54. Depreciation recognized as a decrease of the carrying value in balance sheet and as a depreciation expense in the statement of financial performance in each periods.

55. Valuation of fixed assets is adjusted using various systematic methods consistent with their useful life. Depreciation methods must be able to describe economic benefits or service potential that will flow to 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 must be adjusted.

57. Depreciation methods that can be used include, among others:

(a) Straight line method;

(b) Double declining method; or

(c) Unit of production.

58. Besides land and construction in progress, all fixed assets are depreciated based on nature and characteristics of the assets.

REVALUATION

59. Revaluation of fixed assets is generally not permitted because the Government Accounting Standards measure assets at cost or price of exchange. Departures from this provision may be permitted pursuant to national government regulations.

60. Financial statements must disclose any departures from acquisition cost concept in the presentation of fixed assets as well as the effect of such departures on the financial position. The difference between the revalued amount and carrying amount of fixed assets is recognized in equity account.

ACCOUNTING FOR LAND

61. Land owned and/or controlled by the government is not treated specially, and in principle follows the provisions as stipulated 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 as stipulated by laws and regulations. Therefore, after the initial acquisition of land, the government does not require to pay a fee to maintain the land rights. Land meets the definition of fixed asset and should be treated in accordance with the principles this statement.

63. Recognition of foreign land as fixed asset is contingent upon the existence of a valid ownership agreement and the governing laws and regulations in the country where the representative of Republic of Indonesia is located indicate permanent control.

64. Land owned or controlled by government agencies abroad, for example land used for representative of the Republic of Indonesia, should in accordance with the acquisition agreement and laws and regulations in the country. This is necessary to determine whether the acquisition of the land is permanent or temporary. Control over land are permanent if the land right constitutes a strong right among the land rights without 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. Examples of heritage assets are historic buildings, monuments, archaeological sites such as temples, and works of art. The following characteristics are often considered as heritage assets:

(a) Cultural value, environment, educational, and historical value may not represented by financial value based on market price;

(b) Laws and regulations prohibit or strictly limit it for sale;

(c) irreplacable and its value will increase even if physical condition declined;

(d) It is difficult to estimate the useful life. In some cases ulseful life extending over hundreds years.

67. Heritage assets are normally expected to be maintained for an unlimited time. Heritage assets are regulated by laws and regulations.

68. The government may have a many historical assets acquired over the years and by various methods including purchase, donation, inheritance, seizure, or confiscation. These assets are rarely controlled due to the reason of the ability to generate cash inflows, and have social and legal problems when used for such purposes.

69. Heritage assets should be presented in units, such as the number of units owned in a collection or the number of units of monuments, in the notes to financial statements with no value.

70. Costs of acquisition, construction, improvement and reconstruction must be presented as expenses in the Statement of Financial Performance in the year the expenditures are incurred. Expenses include all expenses that occur to render 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 of infrastructure assets, these assets usually have the following characteristics:

(a) Represents a portion of a system or network;

(b) Special and there are no other alternative uses;

(c) Unmovable; and

(d) There are restriction on its disposal.

74. Although ownership of infrastructure assets is not only by the government, infrastructure assets are significantly found in government assets. Infrastructure assets meet the definition of a fixed asset and should be treated in accordance with the principles in this Standard.

75. Examples of infrastructure assets are networks, roads and bridges, drainage systems, and communication networks.

MILITARY ASSETS

76. Military equipment, either general or special, meets the definition of fixed asset and should be treated in accordance with the principles this Standard.

RETIREMENT AND DISPOSAL

77. Fixed asset eliminated from the balance sheet when it is disposed or when the asset permanently discontinued from use and there are no future economic benefits.

78. Fixed assets that are permanently discontinued or disposed, should be eliminated from the balance sheet and disclosed in the Notes to the Financial Statements.

79. Fixed assets that are discontinued from government activities do not meet the definition of fixed assets and must be reclass to other assets at the carrying amount.

DISCLOSURE

80. The financial statements must disclose, for each type of fixed asset, the following:

(a) ***The basis of valuation, to determine the carrying amount;***

(b) ***Reconciliation of carrying amounts at the beginning and end of the period showing:***

- ***i. Additions;***
- ***ii. Disposals;***
- ***iii. Accumulated depreciation and changes in value, if any;***
- ***iv. Other fixed asset movement.***

(c) ***Depreciation information includes:***

- ***i. Depreciation value;***
- ***ii. Depreciation method;***
- ***iii. The useful life or depreciation rates;***
- ***iv. 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 of fixed assets;

(b) Accounting policies related to the capitalization of fixed assets;

(c) Total expenditure in assets under construction; and

(d) Commitment for acquisition of fixed assets.

82. If fixed assets are measured at revalued amounts, the following matters should be disclosed:

(a) Regulation for revaluing fixed assets;

(b) Effective date of revaluation;

(c) Name of independent appraiser, if any;

(d) Nature of requirements to determine replacement cost;

(e) 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 Government Accounting Standards for a maximum of 4 (four) years after Budget Year 2010.

GOVERNMENT ACCOUNTING STANDARD
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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ACCRUAL BASIS GOVERNMENT ACCOUNTING STANDARD 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 Statement of Construction in Progress 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 Construction In Progress;

(b) determining costs that are capitalized and presented in the balance sheet;

(c) determining basis for recognition and disclosure for cost of construction.

Scope

3. ***An accounting entity that constructing fixed assets to be used in the government and/or public service activities within a certain period, both construction by the entity or by third parties, is required to implement this standard.***

4. The nature of construction activities is long-term, so at the date of beginning construction activity and at the date of completion activity, usually in a 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 to delivere public services and resources that are maintained for reasons of history and culture.

<u>Fixed assets</u> are tangible assets with a useful life of more than 12 (twelve) months, or are intended for use in government activities or for public use.

<u>Construction in progress</u> are fixed assets under construction.

<u>Construction contract</u> is a special agreement made for the construction of an asset or a combination of interdependent elements in terms of design, technology and function, purpose or primary use.

Contractor ***is an entity that enters into a contract to construct assets or provide construction services for other entities in accordance with the specifications set forth in the construction contract.***

Advances ***are amounts received by the contractor prior to construction phase under the construction contract.***

Claims ***are amounts requested by the contractor to the project owner as reimbursement of costs that were not included in the contract.***

Project owner ***is the entity that enters into a construction contract with a third party to construct or provide construction services.***

Retention ***is installment of progress billing that have not been paid to the fulfillment of the conditions specified in the contract.***

Installment ***is amount charged for work completed under a contract, whether already paid or has not been paid by project owner.***

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 acquisition period could be more or less than one accounting period.

8. Acquisition of assets can be acquired by construction or through a third party with a construction contract.

CONSTRUCTION CONTRACT

9. Construction contracts can be related to number of assets that are related each other in terms of design, technology, function or purpose, and main use. Example of this contracts such as irrigation networks construction.

10. Construction contracts may include:

(a) contracts for acquisition of services related to the planning and construction of asset, such as architectural services;

(b) contracts for acquisition or construction of assets;

(c) contracts for acquisition of services related to the supervision of the construction of assets which includes 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 statement 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 covers a number of assets, the construction of each asset is treated as a separate construction contract when all the following conditions are met:***

(a) Separate proposals have been submitted for each asset;

(b) Each asset has been the subject of separate negotiation and the contractor and the project owner can accept or reject part of contract relating to each asset;

(c) Costs of each asset can be identified.

13. ***A contract may provide construction of an additional asset at request of project owner or can be modified so that construction can be add into the contract. The additional construction is treated as a separate construction contract when:***

(a) The additional asset significantly differs in design, technology or function with the assets in the original contract; or

(b) Price of additional asset is determined regardless to 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 future economic benefits related to assets will flow to entities;

(b) cost of acquisition can be measured reliably; and

(c) asset is still under construction.

15. ***Construction In Progress usually is an asset which is intended for use in government activities or use by the public in a long term and is therefore classified as a fixed asset.***

16. ***Construction In Progress transferred to the relevant fixed assets if the following criteria are met:***

(a) Construction is completed; and

(b) Assets can provide benefits/services in accordance with purpose of acquistion.

17. Construction In Progress transferred to the relevant fixed asset account after construction completes and ready for use in accordance with the purpose of acquisition.

MEASUREMENT

18. ***Construction In Progress is measured at cost of acquisition.***

CONSTRUCTION COST

19. ***Construction which is self-managed measured:***

(a) costs directly to construction activity;

(b) costs that are attributable to the activity and allocated to the construction; and

(c) any other costs specifically charged to the construction.

20. Costs directly related to the construction activity include, among others:

(a) labor including supervisors;

(b) materials used in construction;

(c) cost of removal of facilities, equipment, and materials to and from the construction site;

(d) plant and equipment rental cost;

(e) cost of design and technical assistance that is directly related to the construction.

21. Costs that can be attribute to the construction activity generally can be allocated to a particular construction include:

(a) Insurance;

(b) 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 systematic and rational methods and are applied consistently to all costs that have similar characteristics. The weighted average based on proportion of direct costs is recommended as cost allocation method.

22. ***The value of construction carried out by a contractor through construction contracts includes:***

(a) Installments that has been paid to the contractor relating to the completion of construction;

(b) Liabilities to the contractor relating to the handover unpaid construction at the reporting date;

(c) Claim payments to the contractor or a third party related to execution of the construction contract.

23. Contractor includes the main contractor and other contractors.

24. Payment for the construction contract generally paid by installments, based on the level of completion stated in the construction contract. Any payments recognized as an addition to the value of Construction In Progress.

25. Claims may arise, for instance, from delays by the project owner, errors in specifications or design and disputes over departures from the contract.

26. ***If construction is financed from a loan then borrowing costs incurred during construction are capitalized and increase the cost of construction, as long as the costs can be reliably identified and stated.***

27. Borrowing costs include interest charges and other costs incurred from the loans used to finance the construction.

28. ***The amount of borrowing costs capitalized must not exceed total cost of interest paid and accrued in the period construction.***

29. ***If a loan is used to finance several assets, the borrowing cost for the period is allocated to each construction with the weighted average method to the total construction.***

30. ***If construction activities are temporarily suspended because of force majeure then borrowing costs payment during the period of construction suspension are capitalized.***

31. Suspension of construction contract can occur for several reasons, such as force majeure conditions or any interference from the project owner or from the authorities for various reasons. If termination is due to the interference from the project owner 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 recognized as interest expense in that period.

32. ***A construction contract that includes several types of construction which are completed at different times, then the construction that has been completed does not take into account the borrowing cost. Borrowing costs are capitalized only for the type of work that is still in progress.***

33. A construction contract can include several types of assets that can be identified respectively as referred to in paragraph 12. If various types of construction are completed at different points in time, then the borrowing costs capitalized are only those borrowing costs for the part of the construction contract or the type of construction that is not yet completed. The borrowing cost for the part of the construction that has been completed is no longer calculated.

DISCLOSURE

34. ***An entity must disclose information about Construction In Progress at the end of accounting period:***

(a) Details of construction contracts in progress follow the completion level 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 include retention, for example, retained installment payments by the project owner during maintenance period. Retention are disclosed in the Notes to the Financial Statements.

36. Assets can be financed from a particular source of funding. Funding source disclosure is describing sources and uses 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
STATEMENT NO. 09

ACCOUNTING FOR LIABILITIES

Note: *This version of the accrual based Government Accounting Standard Is an english translation of the original Bahasa Indonesia version. Should there be a difference in meaning between the translated version (English) and the original version (Bahasa Indonesia), Then the original version is favored over the translated version*

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ACCRUAL BASIS GOVERNMENT ACCOUNTING STANDARD
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 recognition, mesurement of carrying amount, amortization, and borrowing costs.

Scope

2. ***This Standard applies to all government 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 and long-term liabilities from domestic and foreign debt.

(b) Accounting treatment for transactions in foreign currency loans.

(c) Accounting treatment for transactions arising from debt restructuring.

(d) Accounting treatment for the costs arising from government debt.

Subparagraphs (b), (c) and (d) above shall apply unless otherwise stated in a separate statement.

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 other than lending transactions denominated in a foreign currency as in paragraph 3 (b).

Subparagraphs (a) and (b) are regulated in separate statement.

DEFINITIONS

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.

<u>Qualifying Assets</u> are assets that require considerable time to be prepared for use or sale in accordance with its purpose.

<u>Borrowing costs</u> are interest and other costs that must be to paid by the government from the borrowing funds.

<u>Debtor</u> is a party that receives loans from creditors.

<u>Discount rate</u> is the difference between present value and maturity value of liability due to the nominal interest rate being lower than the effective interest rate.

***Reporting entity* is a government entity consisting of one or more accounting entities or reporting entities according of laws and regulations are required to prepare an accountability report in the form of financial statements.**

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

***Creditor* is the party that provides debt to the debtor.**

***Estimated liability* is a uncertain liability in amount and time.**

***Contingent liabilities* are:**

(a) potential liabilities arising from past events and the existence becomes certain with the occurrence or non-occurrence of one or more events in the future that are not entirely within control of an entity, or

(b) present liabilities arising as a result of the past events, but are not recognized because:

- ***i. it is not probable that an entity will expend resources containing economic benefits to settle the liability, or***
- ***ii. the amount of liability cannot be measured reliably.***

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

***Straight-line method* is allocation of a premium or discount with the same amount for government debt securities throughout the period.**

***Nominal value* is the value of government liabilities the first time the transaction took place, as marked on the value of government debt. Subsequent economic flows, such as payment transactions, valuation changes due to changes in foreign exchange rates, and other changes in addition to changes in market value, are taken into account by adjusting the carrying amount of the liability.**

***Carrying amount of a liability* is the book value of a liability which is measured from the nominal value after adjusted by a discount or unamortized 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 Liability (PFK)*, is government liabilitis to other entities, accordingy government position as tax collector or other charges, such as the income tax, value added tax, healthy insurance, post employment benefit, and housing saving.**

***Premium* is the amount of excess of the present value of the liability with the maturity value of liability because nominal interest rate is higher than effective interest rate.**

***Debt restructuring* is an agreement between the creditor and the debtor to restruct terms of agreement with or without a reduction in the amount of debt, in the form of:**

***Government securities* are securities in the form of government debt instruments that can be traded and have a maturity value or redemption value at the time of issued, such as Government Bonds.**

***Treasury Bills* are Government Securities with a maturity of up to 12 (twelve) months with discounted interest payment.**

***Government Bonds** are debt instruments denominated in rupiah or foreign currency where principal and interest payments are guaranteed by the Republic of Indonesia, according to the period.*

***Arrears** are liability 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 government has a present obligation and which result outflows of future economic resources.

7. Liabilities generally arise due to the consequences of the implementation of obligations or responsibilities. In the context of government, liabilities are arise because of the use of loan funding from the public, financial institutions, government entities, or international agencies. Government liabilities may also occur due to contract of public service, obligation to community, i.e. benefit obligation, compensation, tax deposits, revenue allocation/ reallocation to other entities, or other liabilities to other service providers.

8. Every liability can be imposed by law as a consequence of a binding contract or regulations.

CLASSIFICATION OF LIABILITIES

9. ***Each reporting entities disclose any items of liability including amounts expected to be settled after the reporting date.***

10. Due date Information of financial liability is useful for assessing the liquidity and solvency. Information about the date of settlement such as debt to third parties and interest payable is also useful to determine whether the liability is classified as a short-term or long-term liability.

11. ***Liability is classified as a short-term liability if 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 debt transfers or employee benefit, are 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 reporting date, such as interest loans, short-term debt to a third party, Third Party Liability (PFK), and current portion of long-term debt.

14. ***A reporting entity classify long-term liability, even though the liability is due and will be settled within 12 (twelve) months after the reporting date if:***

(a) the original term was for 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 rescheduling of payment, before financial statement was authorized for issue.

15. The amount of liability excluded from short-term liabilities in accordance with the preceding paragraph, 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 reporting entity policies and expected not to absorb the entity fund. Such liabilities are considered to be 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 unfunding approval), refinancing can not be considered automatic and liabilities are classified as short-term unless settlement of the refinancing agreement before financial statement was authorized to issue, proves that it is a long-term liabilities at the reporting date.

17. Some loan agreements include certain requirements (covenants) that cause long-term liabilities classified as current liabilities (payable on demand), if certain requirements relating to the financial position are depart. In such circumstances, liabilities can be classified as long-term liabilities only if:

(a) lender has agreed not to pursue repayment as a result of the breach, and,

(b) there is a guarantee that there will no subsequent breach within 12 (twelve) months after the reporting date.

RECOGNITION OF LIABILITIES

18. ***Liabilities are recognized when it is probable that economic resources will be expend to settle liabilities until the time of reporting, and any changes to the liability can be measured reliably.***

19. The existence of past events (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 transfer valueable item. Transaction can be either in an exchange or non-exchange. The distinction between exchange transaction or non-exchange is very important to determine time of liability recognition.

21. ***Liabilities are recognized when loan are received by government and/or at the time liabilities arise.***

22. Liabilities can arise from:

(a) exchange transactions;

(b) non-exchange transactions, according to laws and applied policies, and which have not been paid up to the date of reporting;

(c) government-related events;

(d) government-acknowledged events.

23. ***An exchange transaction arise when each party sacrifice and receive valuable thing in return. There are two reciprocal flows of resource or promise to provide a resources. In an exchange transaction, liabilities are recognized when one party***

receives goods or services in exchange for a promise to provice cash or other resources in the future.

24. An example of an exchange transaction is when government employees provide services in exchange for compensation consisting of salaries and other employee benefits. An exchange transaction arises because both parties (employer and employee) receive and provide services. Compensation liabilities include unpaid salaries, delivered services and other employee benefits associate with service period.

25. ***A non-exchange transaction arise when one party receives value without giving or promising value directly. 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 aid programs and to other specific reporting entity are non-exchange transactions. If central government transfers ownership of a program or grants or allocate funds to local governments, terms of payment are determined by existing laws and regulations and are not include in an exchange transaction.

27. ***Event related to government activities is an event that is not based on transaction but by interaction between government and environment. These events may be beyond of the government control. In general, a liability recognized in relation to events associated with government, on an equal bases with events that arise from exchange transactions.***

28. When the government accidently causes damage to private property, the event give rise an obligation, as along as laws and policies allow government to pay for damage, and 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. ***Events recognized by government are not based on a transaction, but the events have financial impact for government to respond to the events. Government has responsibility to provide public welfare. Thus, government is often assumed to be responsible for events that are not regulated. Consequently, costs of various from events, caused by non-governmental entities and natural disasters, in the end becomes the government's responsibility. However, these costs can not meet the definition of a liability until government recognizes it as the government's financial responsibility, and at expense of the costs arising from events, resulted exchange or non-exchange transaction.***

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 (i.e., when a contractor has repaired) or there are unpaid amounts from non-exchange transactions at the reporting date (i.e. direct payments to disaster victims).

31. The following example illustrates the recognition of the government obligation. House of representative authorization allocated budget to mitigate damages from natural disaster. This event has consequences to government's finances since government decided to provide disaster relief. Related transactions, including government contribution to individuals and project paid by the government, are recognized as exchange or non-exchange

transactions. If it an exchange transactions, amounts owed for goods and services provided to government are recognized when goods are delivered or service is completed. In non-exchange transactions, a liability should be recognized for unpaid amounts at the reporting date. Liabilities include the amounts charged to the government to pay benefits goods or services that have been provided according to the requirements of the existing program at the reporting date.

MEASUREMENT OF LIABILITIES

32. ***Liabilities are recorded at nominal value. Liabilities denominated in foreign currencies are translated and presented in rupiah. Foreign currency translation use the central bank middle rate at the balance sheet date.***

33. The nominal value of a liability reflects value of government liability at the initial transaction, such as value marked on the government debt securities. Subsequent economic flows, such as payment transactions, valuation due to changes in foreign exchange rates, and other changes other than changes in market value, are calculated by adjusting carrying amount of a liability.

34. The use of the nominal value in assessing liabilities follows the characteristics of each items. The following paragraphs describe the application of nominal value for each liabilities in financial statements.

DEBTS TO THIRD PARTIES (ACCOUNTS PAYABLE)

35. ***At the moment government receives the right to goods, including goods in transit, government should recognize the liability for unpaid amounts for the goods.***

36. If the contractor constructing the facility or equipment based on existing specifications in the contract agreement, the amount measured should be based on the physical realization of the progress of project in accordance with the work in progress report.

37. ***The liabilities due to transactions between government entities must be separated from liabilities to non-governmental entities.***

DEBT TRANSFERS

38. Debt transfer is reporting entity liabilities to pay to other entities as a result of regulatory requirements.

39. Debt transfer are recognized and measured in accordance with regulations.

DEBT INTEREST (ACCRUED INTEREST)

40. ***Debt interest on government debt must be recognized at cost 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 government debt must be recognized at the end of each reporting period as part of the related liability.***

41. Measurement and presentation of debt interest as above also applied to securities issued by the central government in the form of Government Bonds (GB) and similar instruments in form and substance to Government Bonds GB.

THIRD PARTY DEBT CALCULATION (PFK)

42. ***At the end of reporting period, the balance of PFK that have not been transfered to other parties should be presented in financial statements at amount should to be deposited.***

43. PFK must be transferred to other parties at an amount equal to amount charged. At the end of reporting period, there is usually an amount charges/deductions that have not been paid to the other parties. Balance of charges/deductions are recognized in the financial statements at the amount to be deposited.

CURRENT PORTION OF LONG TERM DEBT

44. ***Amount presented in the financial statements for current portion of long-term debt is the amount that will be due within 12 (twelve) months after the reporting date.***

45. Current portion of long-term debt include sum of long-term debt that is due and must be paid within 12 (twelve) months after the reporting date.

OTHER CURRENT LIABILITIES

46. Other current liabilities are liabilities that are not included in the existing category. Other current liabilities include expense payable when financial statements are prepared. Measurements for each item based on characteristics of each expenses, such as salaries payable at amount of accrued salaries paid for services delivered by employee. Another example is advance payments for supply of goods or services by government to other parties.

NON-TRADED AND TRADED DEBT

47. Valuation of government debt adjusted to the characteristics of debt, in the form of:

(a) Non-traded Government Debt

(b) Traded Government Debt

Non-Traded Government 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 not yet settled on the reporting date.***

49. Examples of non-traded government debt are bilateral and multilateral loans, and loans from international financial institutions, i.e. IMF, World Bank, ADB and others. The legal form of the loan is usually in the form of a loan agreement.

50. Government debt with fixed interest rate, valuation can refer to the payment schedule using a fixed interest rate. Government debt with variable interest rates, such as interest rates associated with financial instrument or other index, the valuation of government debt uses the same principles as a fixed interest rate, except interest rate estimated fairly based on previous data and observation of existing financial instruments.

Traded Government Debt

51. Accounting for tradable government debt should be able to identify the amount of residual liabilities at any given time and interest for each accounting period. This requires an initial valuation of securities on the selling price or sale proceeds, an assessment on due date

of the amount to be paid to the holder, and measurement of the period to fairly describe government's liabilities.

52. Tradeable government debt is normally 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 measured at par value (original face value) taking into account of 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 measured 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 measurement takes into account the amortization of discount or premium.

55. Amortization of the discount or premium using the straight-line method.

CHANGES IN FOREIGN EXCHANGE RATE

56. ***Government debt in foreign currencies is measured at central bank middle exchange rate at the date of transaction.***

57. The exchange rate on the date of the transaction called as 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 currency is presented in rupiah using central bank middle exchange rate.***

59. ***The difference arising from translation of government debt into a foreign currency between transaction date and balance sheet date are recognized as an increase or decrease in equity.***

60. Consequences of recognizing and reporting liabilities in foreign currencies will affect liabilities and equities.

61. If a transaction in foreign currency settled in the same period, all foreign exchange differences are recognized in that period. However, if transaction arises and settled in different accounting periods, then foreign exchange differences are recognized for each accounting period at any exchange rates for each period.

SETTLEMENT OF LIABILITIES BEFORE MATURITY

62. Government debt securities that are settled prior to maturity because due to early redemption option or to meet the requirements of the holders' demands to settle the securities, differences between redemption price and net carrying value should be disclosed in Notes to Financial Statements as part of liabilities.

63. If redemption price is equal to carrying value, then settlement of securuties before maturity, i.e. by adjusting the amount of liabilities and related assets.

64. If redemption price does not equal to carrying value, adjustment other than to assets and liabilities, the difference also disclosed in the Notes to the Financial Statements.

ARREARS

65. ***Arrears of government loans should be presented in the form of Creditor Aging Schedule in notes to financial statementsas as part of the disclosure of liabilities.***

66. Arrears are defined as overdue payments, but government unable to pay principal and/or interest on installment date. Some types of government debt may have an settlement date or installment date when the government required to pay to creditors.

67. Accounting practices generally do not separate the amount of arrears of debt on the face of financial statements. But information on the government's arrears is information needed by users as material for analysis of the policy and solvency of an entity.

68. For this purpose, information on arrears must be disclosed in notes to financial statementsin the form of a aging schedule.

DEBT RESTRUCTURING

69. ***Debt restructuring through modification of terms of debt, the debtor must recognized the effects of restructuring prospectively from time of restructuring and should not change the carrying value of debt at the time of restructuring unless carrying amount exceeds the amount of future cash payments specified by new terms. Information should be disclosed in the Notes to Financial Statements as part of disclosure of liability.***

70. Restructuring mau include:

(a) Refinancing, i.e. refinance old debt with new debt , or

(b) Rescheduling or modification of terms and conditions of an existing contract. Rescheduling can in the form of:

   i. Changes in payment schedule,

   ii. Addition grace period, or

   iii. Rescchedululing installment of principal payments and interest due and/or in arrears.

71. The amount of interest should be calculated using constant effective interest rate multiplied by carrying value of the debt at the beginning of each period between the time of restructuring until maturity. New effective interest rate is equal to the discount rate to equate present value of future cash payments as specified by new terms (not including the contingent debt) to the carrying value. Based on the new effective interest rate, can generate a new schedule of installment 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 new terms for the debt including payment of interest and principal is lower than carrying value, then debtor must reduce the carrying value of debt to an amount equal to the amount of future cash***

payments as specified by new terms. It must be disclosed in notes to financial statements as part of disclosure of liability.

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 cancellation of installment by creditor to debtor, in part or entire amount of debt in the form of formal agreement.

77. Debt forgiveness may be settled by debtor to creditor through cash payment or non-cash assets with a value below carrying value of debt.

78. ***If settlement of debt in cash payment below its carrying value, then paragraph 73 applied.***

79. ***If settlement of debt in non-cash payment below its carrying value, then the entity as a debtor must revalue non-cash assets to fair value and apply paragraph 73, and disclose in notes to financial statements as part of the liability and non-cash asset disclosures.***

80. Information in notes to financial statements must disclose the amount of the difference arising from restructuring of liabilities, which representis the excess of:

(a) Carrying value in the date of settlement (nominal amount deducted or added unpaid interest and premium, discount, finance charges or unamortized issuance costs), with

(b) Fair value of assets transferred to the creditor.

81. Revaluation of assets in paragraph 80 will result in difference between the fair value and assets value transferred to the creditor for a debt settlement. Such differences must be disclosed in the Notes to 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 funds. These costs may include:

(a) Interest and fees on the use funds, both short-term and long-term borrowings;

(b) Amortization of discounts or premiums relating to loans,

(c) Amortization of capitalized costs associated with acquisition of the loan such as consultants, lawyers, commitment fee and so forth.

(d) Difference in foreign currency exchange rate recognized as an adjustment to interest expense.

83. ***Borrowing costs which are directly attributable to the acquisition or construction of a particular asset (qualifying asset) must be capitalized as part of cost of asset.***

84. If interest rates are directly attributable to a particular asset, the borrowing costs must be capitalized to a particular asset. If cost of borrowing are not directly attributable to a particular asset, capitalization of borrowing costs is determined based on description in paragraph 86.

85. In certain circumstances, it is difficult to identify a correlation between a specific loan with acquisition of a specific asset and to determine that a particular loan doesn’t need to be exist if the acquisition of certain assets did not occured. 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 a different interest rate. In this case, it is difficult to determine amount of borrowing costs that are directly attributable, thus professional judgment required to determine the attribution.

86. ***If funds from loans are not directly attributable to the acquisition of an asset then borrowing costs must be capitalized to a particular asset should be calculated based on weighted average accumulated cost of all assets relating to the reporting period.***

PRESENTATION AND DISCLOSURE

87. ***Government debt should be disclosed in detail in the form of debt schedule to provide better information to users.***

88. ***To increase the usefulness of analysis, information that must be presented in notes to financial statementsis:***

(a) ***The amount of short-term and long-term liabilities classified by lender;***

(b) ***Total outstanding liabilities in the form of government debt securities by type and maturity;***

(c) ***Interest on loans payable in the current period and prevailing interest rate;***

(d) ***Consequences of settlement of liabilities prior to maturity;***

(e) ***Debt restructuring agreement covering:***

- ***i. Loan reduction;***
- ***ii. Modification of debt terms;***
- ***iii. Interest rate reduction;***
- ***iv. Rescheduling of the debt maturity;***
- ***v. Reduction the loan maturity value; and***
- ***vi. Reduction amount of interest payable up to the reporting period.***

(f) ***Amount of loan arrears is presented as aging schedule by creditor.***

(g) ***Borrowing costs:***

- ***i. Treatment of borrowing costs;***
- ***ii. The amount of borrowing costs capitalized during current period, and***
- ***iii. Capitalization rate.***

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 Bases Standards for a maximum of 4 (four) years after Budget Year 2010.***

GOVERNMENT ACCOUNTING STANDARD

STATEMENT NO. 10

ACCOUNTING POLICIES, CHANGES IN ACCOUNTING POLICIES, ERRORS, CHANGES IN ACCOUNTING ESTIMATES, AND DISCOUNTINUED 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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ACCRUAL BASIS GOVERNMENT ACCOUNTING STANDARD STATEMENT NO. 10

ACCOUNTING POLICIES, CHANGES IN ACCOUNTING POLICIES, ERRORS, CHANGES IN ACCOUNTING ESTIMATES, AND DISCOUNTINUED 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 determine the criteria in selecting and changes in accounting policies including accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates, correction of errors, and discontinued operations.

2. The purpose of this statement is to increase relevance and reliably entity's financial statements and comparability of financial statements between periods and with other entity's financial statements.

Scope

3. ***This Statement shall be applied in selecting and applying accounting policies changes in accounting policies, changes in accounting estimates, 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 rules, specific practices applied by a reporting entity in preparing and presenting financial statements.

<u>Changes in Accounting Policies</u> is a changes in the choice of various accounting policies in Government Accounting Standard and in particular Government Accounting Standard into another accounting policy different from existing accounting policy.

<u>Impracticable,</u> Applying a requirements impracticable when entity can not apply when it after making every rasionable effort to do so. In prior period, impracticable to apply a change in accounting policy retrospectively and to make a retrospective to correct an errors, if:

(a) The effect of the retrospective application are not determinable;

(b) The retrospective application requires assumption about what government intent would have been in that period;

(c) The retrospective applicatiom requires a significant estimates of amounts and it is impossible to distinguish objectively information about those estimates that:

i. Provides evidence of circumstances that existed on the date as at which those amount to be recognized, measured or disclosures, and

ii. Would have been available whan financial statements at prior period was authorized to issue.

<u>Prior Period Errors</u> are omission from or misstatement in, and correction in current financial statement from from failure to use or misuse a reliably information that:

(a) Was available when financial statement for those periods were authorized for issue, and

(b) Could reasonably be to have been obtained and taken into account in preparation and presentation to those financial statements.

Such errors include the effect of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts and frauds.

<u>Correction</u> is corrective action to financial statements in order to ensure the items/account presented in financial statements is in accordance with I required.

<u>Discontinued Operation</u> is the termination part of or all of an entity's duties/functions so that the assets, liabilities and operations can be terminated.

<u>Accounting Estimates</u> is estimation of financial statement elements, items or accounts due to the absence of precise measurement and those impact to financial statements.

<u>Change in Accounting Estimates</u> is an revised estimates due to changes in new information, additional experience in estimating or other developments.

<u>Items</u> is a similar accounts presenting in the face of the financial statements.

<u>Retrospective</u> is applying a new accounting policy that impacted on prior period of financial statements.

<u>Prospective</u> is applying a new accounting policy that only impacted on current period and future period.

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

Selection and Application of 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 and 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 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;

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).

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.

IE 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	Rp 20,000	
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	Rp 5,000		
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	Rp 3,500	
Correction of remaining balance		Rp 3,500

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	Rp 6,500	
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	Rp 4,500	
Equity		Rp 4,500

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	Rp 3,250	
Balance of remaining balance book		Rp 3,250

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	Rp 4,250	
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	Rp 1,650	
Equity		Rp 1,650

Revenue refund

IE 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
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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ACCRUAL BASIS GOVERNMENT ACCOUNTING STANDARD
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) The combined statistical report of central and local governments.

DEFINITIONS

6. The following are terms used in this Standard:

Public Service Agency (BLU)/Local Public Service Agency (BLUD) 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 Budget Realization Report, Statement of Changes in the Excess Budget Balance, Balance Sheet, Statement of Financial Performance, 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 excess budget balance 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 legislators as the party 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 BLU/BLUD is an accounting entity, whose financial statements are consolidated with the reporting entity that organizationally oversees the relevant BLU/BLUD.***

20. As service units in the form of agencies, albeit not a legal entity that manages separate State assets, BLU/BLUD are reporting entities.

21. The consolidation of BLU/BLUD financial statements with the ministries/agencies/local governments that organizationally supervises the BLU/ BLUD is implemented after the BLU/BLUD financial statements are prepared using the same accounting standards used by the organization that oversees the relevant BLU/BLUD.

CONSOLIDATION PROCEDURES

22. ***The consolidation referred to by this Standard is implemented by combining and aggregating accounts held by a reporting entity with other reporting entities, or conducted by an accounting entity with other accounting entities, with the elimination of reciprocal accounts.***

23. Reporting entities prepare financial statements by incorporating the financial statements of all accounting entities that are organizationally subordinate.

DISCLOSURE

24. ***In notes to financial statementsit is necessary to disclose the names of the entities that are consolidated or combined with the status of each, whether they be reporting entities or accounting entities.***

25. In the case of consolidated accounts that are not eliminated with a reciprocal account as stated in paragraph 12, it is necessary to point out the names and the amount of 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
STATEMENT NO. 12

STATEMENT OF FINANCIAL PERFORMANCE

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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ACCRUAL BASIS GOVERNMENT ACCOUNTING STANDARD
STATEMENT NO.12
STATEMENT OF FINANCIAL PERFORMANCE

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 Financial Performance is to prescribe the bases for the government's presentation of the Statement of Financial Performance in order to meet the goal of government accountability as established by laws and regulations.

2. The purpose of statement of financial performance is to provide information about the financial operational activities reflected in revenues, expenses, and the operating surplus/deficit of a reporting entity.

Scope

3. ***This Standard is applied to the presentation of the Statement of Financial Performance.***

4. ***This Standard applies to all reporting entities and accounting entities, both for central and local government, in preparing an Statement of Financial Performance that describes the revenue, expenses, and operating surplus/deficit in a particular reporting period, excluding state/local owned enterprises.***

BENEFITS OF THE STATEMENT OF FINANCIAL PERFORMANCE INFORMATION

5. ***The Statement of Financial Performance provides information on financial operational activities from the reporting entity reflected in revenue, expenses, and the operating surplus/deficit, compared with the previous period.***

6. Users required the statement of financial performance to evaluate revenue and expenses government entities. Statement of Financial Performance provides information:

(a) government expenses to provide services;

(b) information of financial operations to evaluate the government's performance in terms of efficiency, effectiveness and economically of acquisition and utilization of economic resources;

(c) predicting revenue to funding the central and local governments activities in the future period by presenting a comparative report;

(d) decreasing (deficit), and an increasing in equity (surplus).

7. The Statement of financial performance prepared to complete the reporting of the accrual-based accounting (full accrual accounting). The statement of financial performance, statement of changes in equity, and balance sheet are interrelated report.

DEFINITIONS

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

Gross Principle, the principle that does not recording net amount of revenue after compensation between revenue and expenditure.

Financial aid, the government expenditure in the form of cash to other governments entities as a financial capacity tools.

Social aid, the transfer of money or goods to public in order to protect from social risks.

Accrual Bases, the accounting bases that recognizes transactions and other events when the transactions occurs.

Expenses, decreases in economic benefits or service potential in the reporting period that decreases equity, expenses can be either expenditure or consumption of an asset or liabilities.

Grants Expense, 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.

Depreciation, the systematic allocation of the depreciable amount of an asset over its useful life.

Transfer Expense, an expense in the form of an expenditure of money or a liability from one reporting entity to another reporting entity as required by laws and regulations.

Accounting Entity, unit of government as a budget user/goods user and has an obligation to prepare financial statements to be consolidate with the reporting entity.

Reporting Entity, government entity consisting of one or more accounting entities or reporting entities and has an obligation to prepare accountability reports in the form of financial statements.

Grant Revenue, government revenue in the form of cash/goods or services from other governments, state/local owned enterprises, communities and civil society organizations.

Revenue, right of the central/local government which is recognized as an addition to equity in the period of budget year.

Transfer Revenue, revenue in the form of cash receipts or right to receive cash from other reporting entities which is required by laws and regulations.

Extraordinary Item, extraordinary revenue or extraordinary expense from an event or transaction that does not from normal operations, extraordinary items is not expected occur and out of the control by entity.

Subsidy, 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, the difference between operating revenue and expenses during the reporting period.

Surplus/Deficit-LO, the difference between revenue and expenses during the reporting period, after surplus/deficit from non-operating activities and extraordinary items.

Profit/loss on sale of assets represents the difference between book value of assets to the selling price of asset.

REPORTING PERIOD

9. ***Statement of financial performances presented at least once a year. In certain circumstances, if an entity's reporting date changes and the statement of financial performances are presented in a shorter period, entity shall disclose the following information:***

(a) reasons of presentation in a shorter of reporting period;

(b) amounts of a comparative statement of financial performance and uncomparable of notes to financial statement.

10. The benefits of statement of financial performances are decreased if the report is not prepared 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.

STRUCTURE AND CONTENT OF THE STATEMENT OF FINANCIAL PERFORMANCE

11. ***The Statement of financial performance presents various elements of revenue, expenses, surplus/deficit from operating activities, surplus/deficit from non-operating activities, surplus/deficit before extraordinary items, extraordinary items, and surplus/deficit, which is necessary for a fair comparative presentation. Information in the statement of financial performance disclosed in the notes to financial statement.***

12. ***Information in the statement of financial performance should be clearly identified and, if necessary, be repeated on each page of the report:***

(a) title of the reporting entity;

(b) scope of the reporting entity;

(c) reporting period;

(d) reporting currency; and

(e) unit of numbers.

13. ***Statement of financial performance contain 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 financialpPerformance includes posts, titles, and other sub amounts as required by Government Accounting Standards, or when such presentation is necessary to present statement of financial performances fairly.***

15. A sample format for the Statement of Financial Performance format is 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 FINANCIAL PERFORMANCE OR IN NOTES TO THE FINANCIAL STATEMENTS

16. ***Revenue classified according to the source of revenue. Further details of the source of revenue is presented in the Notes to the Financial Statements.***

17. ***Expenses classified according to expense type classification. Expenses classified by organization and other classification which are required by laws and regulation and dislosed in the notes to the financial statements.***

18. Classification of revenue according to source of revenue or expenses according to economic classification, principally based on type of revenue or expenses, as a same bases of classification.

REVENUE

19. ***Revenue recognized at the time:***

(a) The emergence of the right;

(b) Revenue realized, when economic resources inflow to the entities.

20. Revenues based on laws and regulations are recognized when the right arises to collect revenue.

21. Revenues in exchange for a service recognized when the right to collect has arised based on laws and regulations.

22. Revenue recognized when realized when the government has a right without any prior billing.

23. ***Revenues are classified based on source of revenue.***

24. Classification according based on source of revenue for the central government are grouped based on the type of revenue, ie.. taxation, non-taxation and grant.

25. Classification according to source of revenue for local governments are grouped based on types of income, I,e. locally source revenue, transfers, and other revenue. Each of these revenues are classified by types of revenue.

26. ***Revenue is based on gross principle, measured in gross revenue.***

27. ***In terms of the amount of a deduction against gross revenue (charge) is variable and cannot be estimated in advance because the process has not been completed, then the gross principle may exempted.***

28. ***In public service agencies, revenue recognized according to laws and regulations governing the public service agencies.***

29. ***Refunds that are normal and recurring for revenuees in the period of receipt or in previous periods are recorded as a reduction of revenue.***

30. ***Corrections and refunds of revenue that are non-recurring and occured in the revenue realization period are recorded as a reduction of revenue in the same period.***

31. ***Corrections and refunds of revenue that are non-recurring and occur in previous periods are recorded as a deduction from equity in the period of the correction or refund.***

EXPENSES

32. ***Expenses are recognized when:***

(a) A liability occured;

(b) Assets are consumed;

(c) Declining in economic benefits or service potential.

33. Liabilities arise when the rights are transferred from other parties to the government without the disburse of cash from the state/local general treasury. For example, unpaid telephone bills and electricity.

34. Consumption of an asset occurred when 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 government.

35. Economic benefits or service potential decrease when the value of an asset is impaired in connection with the use of the relevant asset. Examples of decreases in economic benefits or service potential are depreciation or amortization.

36. ***In the public service agencies, expenses are recognized with reference to the laws and regulations governing the public service agencies.***

37. ***Expenses are classified according to economic classification.***

38. Economic classification are based on the type of expense. The economic classification for the central government is: employee expenses, inventory 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, inventory expenses, interest expenses, subsidies expenses, grants expenses, social assistance expenses, fixed asset depreciation/amortization expenses, transfers expenses, and unforeseen expenses.

39. Depreciation/amortization can be conducted using various methods, categorized into:

(a) Straight line method;

(b) Double declining balance method;

(c) Unit of production method.

40. ***Tranfers Expenses are expenditure or liabilities to disburse cash from one reporting entity to another reporting entity as required by laws and regulations.***

41. ***Correction of expense, including receipt of paid expenses, which occur during the period, are recorded as a reduction of expenses in the same period. If it received in a subsequent period, correction is recorded in other revenue. If correction would add expense, equity would be corrected.***

SURPLUS/DEFICIT FROM OPERATING ACTIVITIES

42. ***Surplus from operating activities is the excess of revenues over expenses during the reporting period.***

43. ***Deficit from operationg activities is the shortfall of revenues over expenses during the reporting period.***

44. ***Any excess/shortfall between revenues and expenses during reporting period are recorded in the 'Surplus/Deficit from Operating Activities'.***

Surplus/Deficit from Non-Operating Activities

45. ***Revenues and expenses that are non-routine activities would be grouped separately in non-operating activities.***

46. Revenue/expenses from non-operating activities include, among others, the surplus/deficit on the sale of non-current assets, surplus/deficit on settlement of long-term liabilities, and surplus/deficit on non-operational activities.

47. ***Any excess/shortfall between the surplus/deficit from operating activities and surplus/deficit from non-operating activities is surplus/deficit before extraordinary items.***

EXTRAORDINARY ITEMS

48. ***Extraordinary items are presented separately from other items in the statement of financial performance and presented after surplus/deficit before extraordinary items.***

49. Characteristics of extraordinary items are:

(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 thenNotes to the financial statements.***

SURPLUS/DEFICIT

51. ***Surplus/Deficit is sum of the excess/shortfall of the surplus/deficit from operations, non-operating activities and extraordinary items.***

52. The balance of the surplus/Deficit at the end of the reporting period then transferred to the Statement of Changes in Equity.

FOREIGN CURRENCY TRANSACTIONS

53. ***Transactions in foreign currencies are measured in rupiah.***

54. ***Transaction in a foreign currency should be translated into rupiah using the central bank exchange rate prevailing on the date of the transaction.***

55. ***In the absence of funds in foreign currencies and the foreign currency are purchased in rupiah, transaction record in rupiah based on the transaction exchange rate.***

56. ***In the absence of funds in foreign currencies and foreign currency are purchased with other foreign currency:***

(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 exchanger rate at the transaction date.

Revenue and Expense Transaction in the form ff Goods/ Services

57. ***Revenue and expense transaction in the form of goods/services should be reported in the Statement of Financial Performance by estimate fair value of the***

goods/services at date of transaction. In addition, transactions must also be disclosed in tthe notes to financial statements to provide all the relevant information regarding the form of the revenue and expenses.

58. Revenue and expenses transaction in the form of goods/services include, among others, grants in the form of goods, 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

OPERATIONAL REPORT

For the Periods Ending Dec 31, 20x1 and 20x0

(in Rupiah)

No	Description	20x1	20x1	Increase/ decrease	%
	OPERATING ACTIVITIES:				
1	TAX REVENUE:				
2	Income Tax Revenue	xxx	xxx	xxx	xx
3	Value Added and Luxury Goods Sales Tax Revenue	xxx	xxx	xxx	xx
4	Land and Building Tax Revenue	xxx	xxx	xxx	xx
5	Land and Building Acquision Rights Duties Revenue	xxx	xxx	xxx	xx
6	Excise Revenue	xxx	xxx	xxx	xx
7	Import Duties Revenue	xxx	xxx	xxx	xx
8	Export Tax Revenue	xxx	xxx	xxx	xx
9	Other Tax Revenue	xxx	xxx	xxx	xx
10	Total Tax Revenue	xxx	xxx	xxx	xx
11	NON TAX REVENUE:				
12	Natural Resources Revenue	xxx	xxx	xxx	xx
13	Government's Share Revenue	xxx	xxx	xxx	xx
14	Other Non Tax Revenue	xxx	xxx	xxx	xx
15	Total Non Tax Revenue	xxx	xxx	xxx	xx
16	GRANT:				
17	Grant Revenue	xxx	xxx	xxx	xx
18	TOTAL REVENUES:	xxx	xxx	xxx	xx
19	EXPENSES:				
20	Civil Servant Expense				
21	Inventory Expense	xxx	xxx	xxx	xx
22	Service Expense	xxx	xxx	xxx	xx
23	Maintenance Expense	xxx	xxx	xxx	xx
24	Business trip Expense	xxx	xxx	xxx	xx
25	Interest Expense	xxx	xxx	xxx	xx
26	Subsidies Expense	xxx	xxx	xxx	xx
27	Grant Expense	xxx	xxx	xxx	xx
28	Social Expense	xxx	xxx	xxx	xx
29	Accumulate Depreciation Expense	xxx	xxx	xxx	xx
30	Transfer Expense	xxx	xxx	xxx	xx
31	Other Expense	xxx	xxx	xxx	xx

32	TOTAL EXPENSES:	xxx	xxx	xxx	xx
33	OPERATING SURPLUS/DEFICIT:	xxx	xxx	xxx	xx
34	NON OPERATING ACTIVITIES:				
35	Gain from Sales of Noncurrent Assets	xxx	xxx	xxx	xx
36	Surplus from settlement of Longterm Liabilities	xxx	xxx	xxx	xx
37	Loss from Sales of Noncurrent Assets	xxx	xxx	xxx	xx
38	Gain or Loss from other Non Operating Activities	xxx	xxx	xxx	xx
39	Total Surplus/Deficit from Nonoperating Activities	xxx	xxx	xxx	xx
40	SURPLUS/DEFICIT BEFORE EXTRAORDINARY ITEMS	xxx	xxx	xxx	xx
41	EXTRAORDINARY ITEMS:				
42	Eextraordinary Revenue	xxx	xxx	xxx	xx
43	Extraordinary Expense	xxx	xxx	xxx	xx
44	Total Extraordinary	xxx	xxx	xxx	xx
45	OPERATIONAL SURPLUS/DEFICIT	xxx	xxx	xxx	xx

(Ilustration SGAS 12.B)

PROVINCE GOVERNMENT

OPERATIONAL REPORT

For the Periods Ending Dec 31, 20x1 and 20x0

(in Rupiah)

No	Description	20x1	20x1	Increase/ decrease	%
	OPERATING ACTIVITIES:				
1	LOCAL REVENUE:				
2	Local Tax Revenue	xxx	xxx	xxx	xx
3	Local Levies Revenue	xxx	xxx	xxx	xx
4	Proceeds from Separated Local Managed Assets Revenue	xxx	xxx	xxx	xx
5	Other Local Revenue	xxx	xxx	xxx	xx
6	Total Local Revenue	xxx	xxx	xxx	xx
7	TRANSFER REVENUE:				
8	CENTRAL GOVERNMENT TRANSFER				
9	Tax Revenue Sharing Fund	xxx	xxx	xxx	xx
10	Natural Resources Revenue Sharing Fund	xxx	xxx	xxx	xx
11	General Allocation Fund	xxx	xxx	xxx	xx
12	Special Allocation Fund	xxx	xxx	xxx	xx
13	Transfer Revenue	xxx	xxx	xxx	xx
14	OTHER CENTRAL GOVERNMENT TRANSFER				
15	Special Autonomy Fund	xxx	xxx	xxx	xx
16	Adjusment Fund	xxx	xxx	xxx	xx
17	Total Other Transfer Revenue	xxx	xxx	xxx	xx
18	Total Transfer Revenue	xxx	xxx	xxx	xx
19	OTHER LEGAL REVENUE:				
20	Grant Revenue	xxx	xxx	xxx	xx
21	Emergency Fund Revenue	xxx	xxx	xxx	xx
22	Other Revenue	xxx	xxx	xxx	xx
23	Total Other Legal Revenue	xxx	xxx	xxx	xx
24	OTHER CENTRAL GOVERNMENT TRANSFER				
25	Special Autonomy Fund	xxx	xxx	xxx	xx
26	Adjusment Fund	xxx	xxx	xxx	xx
27	Total other Central Government Transfer	xxx	xxx	xxx	xx
28	TOTAL REVENUES:	xxx	xxx	xxx	xx

29	EXPENSES:				
30	Civil Servant Expense				
31	Inventory Expense	xxx	xxx	xxx	xx
32	Service Expense	xxx	xxx	xxx	xx
33	Maintenance Expense	xxx	xxx	xxx	xx
34	Business trip Expense	xxx	xxx	xxx	xx
35	Interest Expense	xxx	xxx	xxx	xx
36	Subsidies Expense	xxx	xxx	xxx	xx
37	Grant Expense	xxx	xxx	xxx	xx
38	Social Expense	xxx	xxx	xxx	xx
39	Accumulate Depreciation Expense	xxx	xxx	xxx	xx
40	Transfer Expense	xxx	xxx	xxx	xx
41	Other Expense	xxx	xxx	xxx	xx
42	TOTAL EXPENSES:	xxx	xxx	xxx	xx
43	OPERATING SURPLUS/DEFICIT:	xxx	xxx	xxx	xx
44	NON OPERATING ACTIVITIES:				
45	Gain from Sales of Noncurrent Assets	xxx	xxx	xxx	xx
46	Surplus from settlement of Longterm Liabilities				
47	Loss from Sales of Noncurrent Assets	xxx	xxx	xxx	xx
48	Deficit from Longterm Liabilities Setlement				
49	Gain or Loss from other Non Operating Activities	xxx	xxx	xxx	xx
50	Total Surplus/Deficit from Nonoperating Activities	xxx	xxx	xxx	xx
15	SURPLUS/DEFICIT BEFORE EXTRAORDINARY ITEMS	xxx	xxx	xxx	xx
52	EXTRAORDINARY ITEMS:				
53	Eextraordinary Revenue	xxx	xxx	xxx	xx
54	Extraordinary Expense	xxx	xxx	xxx	xx
55	Total Extraordinary	xxx	xxx	xxx	xx
56	OPERATIONAL SURPLUS/DEFICIT	xxx	xxx	xxx	xx

(Ilustration SGAS 12.C)

DISTRICT/CITY GOVERNMENT

OPERATIONAL REPORT

For the Periods Ending Dec 31, 20x1 and 20x0

(in Rupiah)

No	Description	20x1	20x1	Increase/ decrease	%
	OPERATING ACTIVITIES:				
1	LOCAL REVENUE:				
2	Local Tax Revenue	xxx	xxx	xxx	xx
3	Local Levies Revenue	xxx	xxx	xxx	xx
4	Proceeds from Separated Local Managed Assets Revenue	xxx	xxx	xxx	xx
5	Other Local Revenue	xxx	xxx	xxx	xx
6	Total Local Revenue	xxx	xxx	xxx	xx
7	TRANSFER REVENUE:				
8	CENTRAL GOVERNMENT TRANSFER				
9	Tax Revenue Sharing Fund	xxx	xxx	xxx	xx
10	Natural Resources Revenue Sharing Fund	xxx	xxx	xxx	xx
11	General Allocation Fund	xxx	xxx	xxx	xx
12	Special Allocation Fund	xxx	xxx	xxx	xx
13	Transfer Revenue	xxx	xxx	xxx	xx
14	OTHER CENTRAL GOVERNMENT TRANSFER				
15	Special Autonomy Fund	xxx	xxx	xxx	xx
16	Adjusment Fund	xxx	xxx	xxx	xx
17	Total Other Transfer Revenue	xxx	xxx	xxx	xx
18	Total Transfer Revenue	xxx	xxx	xxx	xx
19	PROVINCE TRANSFER				
20	Special Autonomy Fund	xxx	xxx	xxx	xx
21	Adjusment Fund	xxx	xxx	xxx	xx
22	TOTAL REVENUES:	xxx	xxx	xxx	xx
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	xxx	xxx	xxx	xx
28	TOTAL REVENUES:	xxx	xxx	xxx	xx

29	EXPENSES:				
30	Civil Servant Expense				
31	Inventory Expense	xxx	xxx	xxx	xx
32	Service Expense	xxx	xxx	xxx	xx
33	Maintenance Expense	xxx	xxx	xxx	xx
34	Business trip Expense	xxx	xxx	xxx	xx
35	Interest Expense	xxx	xxx	xxx	xx
36	Subsidies Expense	xxx	xxx	xxx	xx
37	Grant Expense	xxx	xxx	xxx	xx
38	Social Expense	xxx	xxx	xxx	xx
39	Accumulate Depreciation Expense	xxx	xxx	xxx	xx
40	Transfer Expense	xxx	xxx	xxx	xx
41	Other Expense	xxx	xxx	xxx	xx
42	TOTAL EXPENSES:	xxx	xxx	xxx	xx
43	OPERATING SURPLUS/DEFICIT:	xxx	xxx	xxx	xx
44	NON OPERATING ACTIVITIES:				
45	Gain from Sales of Noncurrent Assets	xxx	xxx	xxx	xx
46	Surplus from settlement of Longterm Liabilities				
47	Loss from Sales of Noncurrent Assets	xxx	xxx	xxx	xx
48	Deficit from Longterm Liabilities Setlement				
49	Gain or Loss from other Non Operating Activities	xxx	xxx	xxx	xx
50	Total Surplus/Deficit from Nonoperating Activities	xxx	xxx	xxx	xx
51	SURPLUS/DEFICIT BEFORE EXTRAORDINARY ITEMS	xxx	xxx	xxx	xx
52	<u>EXTRAORDINARY ITEMS:</u>				
53	Eextraordinary Revenue	xxx	xxx	xxx	xx
54	Extraordinary Expense	xxx	xxx	xxx	xx
55	Total Extraordinary	xxx	xxx	xxx	xx
56	OPERATIONAL SURPLUS/DEFICIT	xxx	xxx	xxx	xx

GOVERNMENT ACCOUNTING STANDARD
STATEMENT NO. 13

PRESENTATION OF FINANCIAL STATEMENT - PUBLIC SERVICE AGENCY

Note: *This version of the accrual based Government Accounting Standard Is an english translation of the original Bahasa Indonesia version. Should there be a difference in meaning between the translated version (English) and the original version (Bahasa Indonesia), Then the original version is favored over the translated version*

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ACCRUAL BASIS GOVERNMENT ACCOUNTING STANDARD
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 Treasury Act No 1 of 2004, 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) their fund is part of State/local bugdet;

(b) the entity was formed by regulation;

(c) the chief of the entity is officially appointed;

(d) The entity make an accountability, directly to the accounting/reporting entity that control the entity and indirectly to legislators as the party that approves the budget;

(e) has an authority in financial management, that includes using of their revenue, cash management, investment and loans based on regulations;

(f) provide their services to the public/third parties;

(g) manage their resources which separated from their accounting/ reporting entities;

(h) has a significant influence in the achievement of the government program; and

(i) audit and given the opinion to the financial statement by external auditor.

7. ***As a unit which that receive budget from the State/local budget, Public Service Agency manage an accounting, as accounting entity, their financial report are consolidated in the accounting/reporting entity which control it.***

DEFINITIONS

8. ***Public Service Agency, as known as BLU is an institution in the Central/local government and formed to provide services i.e. supply of goods and/or services without no profit and their activities are based on efficiencies and productivities.***

9. ***Public Service Agencie's Financial Statements is an accountability that is presented in the form of Budget Realization Statement, Statement of Changes In Budget Balance Exceed, Balance Sheet, Statement of Financial Performance, 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, excess budget balance, 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) **Budget Realization Report;**
(b) **Statements of Changes in the Excess of Budget Balance;**
(c) **Balance Sheet;**
(d) **Statements of Operations;**
(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 obligation at the reporting date and the flow of economic resources during the period. This information is required by users to assess the economic capacity to conduct 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 posts 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 operational complexity faced by Public Service Agency are not adequate reasons for the failure of timely reporting.

BUDGET REALIZATION REPORT

17. ***Budget Realization Report presents the information of revenue-LRA, expenditure, budget surplus/deficit, financing and excess of budget balance, and show conformity with the budget.***

18. ***Public Service Agency's Budget Realization Report present at least the following elements:***

(a) Revenue-LRA;
(b) expenditure;
(c) budget surplus/deficit;
(d) revenue financing;
(e) expenditure financing;
(f) net financing; and
(g) the surplus/deficit after budget financing.

19. ***Revenues which self-managed by Public Service Agency and not deposited to the State/local Treasurer are the State/local revenue.***

20. Working unit that implemented Public Service Agency's financial management is given the 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 own revenue 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 conducted bases 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 to the revenue is variable and can not be budgeted for in advance because budget process is not yet finalized.

26. Revenue from Joint Operation are recognized on the net basis, excluding parties revenue sharing.

27. Cash transfer from the current year revenue-LRA is recognized as deduction in the surplus/deficit after budget financing and increasing the surplus/deficit after budget financing of Central/local government.

28. Cash transfer from the prior revenue-LRA is recognized as deduction in the excess of budget balance and increasing the Central/local government excess budget balance.

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 Report because of revenue-LRA recognized in cash basis. Goods/services in the grant revenue are reported in the Statement of Financial Performance.

38. Examples of service revenue from accounting/reporting entities referred to paragraph 31 (b) among others, Universities which managed by Public Service Agency, it earn revenue from student who are funded from ministry/institution/local working unit.

39. ***Public Service Agency's expenditure is recognized when the cash disbursements endorsed 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 personnel, goods, and capital expenditures.

42. ***The excess of 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 revenue on Public Service Agency recognized when cash receipt from financing are endorsed by the unit that have a general treasury functions.***

45. ***Financing expenditure on Public Service Agency recognized when cash expenditure 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 expenditure.***

47. ***Any excess/less between financing revenue/expenditure during the reporting period are recorded in net financing.***

48. ***Any excess/less between revenue-LRA and expenditure, and between financing revenue/expenditure 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 budget realization report as an accounting/reporting entity allocate 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. Budget realization report 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 EXCESS BUDGET BALANCE

52. ***The Statement of Changes in the Excess Budget Balance presents increasing or decreasing excess budget balance information in the reporting period compared with the previous period.***

53. ***The Statement of Changes in the Excess Budget present comparative information with the previous period of the following items:***

(a) Opening Excess Budget Balance;
(b) Use of the Excess Budget Balance;
(c) Budget Financing Surplus/Deficit for the current year;
(d) Correction of accounting errors in the previous year;
(e) Others; and
(f) Closing Excess Budget Balance.

54. ***Public Service Agency also preparing details the Statement of Changes in the Excess Budget Balance elements in the Notes to the Financial Statements*.**

55. Statement of Changes in the Excess 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 Excess of Budget Balance.***

60. In the context of calculation between cash balance and the excess of 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 from the rest of the Central/local budget investment 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 regulation, Public Service Agency should not make a long-term investments except with the approval from the Minister of Finance or the Governor/Regent/Mayor. Long-term investment consists of a permanent and non-permanent investment.

67. Permanent Investments in Public Service Agency 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.

STATEMENTS OF FINANCIAL PERFORMANCE

72. ***The Statements of financial performance 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 Statements of financial performance present items:***

(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 the right to revenue;

(b) Revenue is realized, namely the existence of 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 it is 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 conducted bases on the gross principle by recording gross receipts, and not by recording the net amount (that is, offset against 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 budget process is not yet finalized.***

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 the subsequent release of cash disbursements.

85. What is meant by the consumption of an asset is the time cash expenditure are made 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 service potential occurs when the value of an asset is impaired in connection with the use of the relevant asset/the passage of time. Example of decreases in economic benefits or service potential 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 Financial Performance 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.

CASH FLOW STATEMENT

90. ***The Statement of Cash Flows 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 expenditures intended to the acquisition and disposal of fixed assets and other investments not included in cash equivalents.

95. Cash flow from investing activities reflects the gross cash receipts and expenditures 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) is an 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 expenditure 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 expenditures 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) Principal payments of loan; and
(b) Returning 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 reflects gross receipts and disbursements which 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 PUBLIC SERVICE AGENCY FINANCIAL STATEMENTS TO THE ACCOUNTING/REPORTING ENTITIES FINANCIAL STATEMENTS

116. ***Public Service Agency's Budget Realization Report, Balance Sheet, Statement of Financial Performance and Statement of Changes in Equity consolidated in the financial statements of the accounting/reporting entities.***

117. ***Revenues, expenditures, and financing in the Public Service Agency's Budget Realization Report consolidated into Budget Realization Report accounting/reporting entities.***

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 excess budget is not consolidated to the reporting entity's financial report, because the reporting entities doesn't not present the Statement of Changes in excess budget including local government.

122. ***The Statement of changes in excess budget consolidated to the State/local general treasurer's Statement of Changes in excess 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

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, then 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

BUDGET REALIZATION REPORT

For the Periods Ending Dec 31, 20x1 and 20x0

(in Rupiah)

No	Description	Budget 20x1	Realization 20x1	%	Realization 20x0
1	REVENUE:				
2	Revenue from rendering service to public	xxx	xxx	xx	xxx
3	Revenue from rendering service to accounting/ reporting entity	xxx	xxx	xx	xxx
4	Revenue from joint operation	xxx	xxx	xx	xxx
5	Grant revenue	xxx	xxx	xx	xxx
6	Other revenue	xxx	xxx	xx	xxx
7	Total Revenue	xxx	xxx	xx	xxx
8					
9	EXPENDITURES:				
10	OPERATING EXPENDITURES:				
11	Civil Servant Expenditure	xxx	xxx	xx	xxx
12	Goods Expenditure	xxx	xxx	xx	xxx
13	Interest Expenditure	xxx	xxx	xx	xxx
14	Others Expenditure	xxx	xxx	xx	xxx
15	Total Operating Expenditures	xxx	xxx	xx	xxx
16					
17	CAPITAL EXPENDITURES:				
18	Land Expenditure	xxx	xxx	xx	xxx
19	Equipment and Machinery Expenditure	xxx	xxx	xx	xxx
20	Building and Construction Expenditure	xxx	xxx	xx	xxx
21	Roads, Irrigation and Network Expenditure	xxx	xxx	xx	xxx
22	Other Fixed Assets Expenditure	xxx	xxx	xx	xxx
23	Other Assets Expenditure	xxx	xxx	xx	xxx
24	Total Capital Expenditures	xxx	xxx	xx	xxx
25	TOTAL EXPENDITURES	xxx	xxx	xx	xxx
26					
27	SURPLUS/DEFICIT	xxx	xxx	xx	xxx
28	FINANCING:				
29	RECEIPTS:				
30	DOMESTIC FINANCING RECEIPTS:				
31	Receipt from loan	xxx	xxx	xx	xxx
32	Receipt from Divesment	xxx	xxx	xx	xxx
33	Receipt from loan to other party	xxx	xxx	xx	xxx

34	Total Domestic Financing Receipt	xxx	xxx	xx	xxx
35					
36	Total Financing Receipt				
37					
38	PAYMENTS:				
39	DOMESTIC FINANCING PAYMENT:				
40	Loan Principal Payments	xxx	xxx	xx	xxx
41	Equity Participation Expenditure	xxx	xxx	xx	xxx
42	Provision of Loans to other party	xxx	xxx	xx	xxx
43	Total Domestic Financing Expenditures	xxx	xxx	xx	xxx
44					
45	NET FINANCING	xxx	xxx	xx	xxx
46	SURPLUS/DEFICIT BUDGET FINANCING BALANCE	xxx	xxx	xx	xxx

(Ilustration 13.B)

PUBLIC SERVICE AGENCY

STATEMENT OF CHANGES IN THE EXCESS BUDGET BALANCE

For the Periods Ending Dec 31, 20x1 and 20x0

(in rupiah)

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

(Ilustration 13.C)

PUBLIC SERVICE AGENCY

BALANCE SHEET

DEC 31 20X1 DAN 20X0

(In Rupiah)

No	Description	20X1	20X0
1	ASSET		
2	Current Assets:		
3	Cash in Expenditure Treasurer	xxx	xxx
4	Cash in PSA	xxx	xxx
5	Other cash and Equivalent	xxx	xxx
6	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:	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:	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	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	xxx	xxx
35	TOTAL ASSETS		
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
	Total Short term Liabilities	xxx	xxx
45	Short term Liabilities		
46	Long terim libilities	xxx	xxx
47	Total Long term Liabilities	xxx	xxx
48	TOTAL LIABILITIES	xxx	xxx
49	EQUITY		
50	EQUITY	xxx	xxx
51	TOTAL LIABILITIES AND EQUITIES (67 + 69)	xxx	xxx

(Ilustration SGAS 13.D)

PUBLIC SERVICE AGENCY

OPERATIONAL REPORT

For the Periods Ending Dec 31, 20x1 and 20x0

(in 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	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:	xxx	xxx	xxx	xx
18	Operating Surplus/Deficit:				
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	xxx	xxx	xxx	xx
24	SURPLUS/DEFICIT BEFORE EXTRAORDINARY	xxx	xxx	xxx	xx
25	EXTRAORDINARY ITEMS:				
26	Eextraordinary Revenue	xxx	xxx	xxx	xx
27	Extraordinary Expense	xxx	xxx	xxx	xx
28	Total Extraordinary	xxx	xxx	xxx	xx
29	OPERATIONAL SURPLUS/DEFICIT	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

(in Rupiah)

No.	Description	20X1	20X0
1	Cash Flows from Operating Activities		
2	Cash Inflows:		
3	Revenue from State/local Budget	xxx	xxx
4	Revenue from rendering of Services to Public	xxx	xxx
5	Revenue from rendering of Services to Accounting/Reporting Entities	xxx	xxx
6	Revenue from Joint Operation	xxx	xxx
7	Revenue from Grant	xxx	xxx
8	Other Revenue	xxx	xxx
9	Total Cash Inflows:	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	xxx	xxx
25	Net Cash Flow from Operating Activities	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	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	xxx	xxx
47	Net Cash Flow from Investing Activities	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	xxx	xxx
53	Cash Outflows:		
54	Loan Payment	xxx	xxx
55	Provision of Loans to Other	xxx	xxx
56	Total Cash Outflows	xxx	xxx
57	Net Cash Flows from Financing Activities	xxx	xxx
58	Cash Flow from Transitory Activities		
59	Cash Inflows:		
60	Third Party Calculation Receipts (PFK)	xxx	xxx
61	Total Cash Inflow	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	xxx	xxx
66	Increase/Decrease Cash	xxx	xxx
67	Opening Balance in PSA Cash	xxx	xxx
68	Closing Balance in PSA Cash	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	Operational Surplus/Deficit	xxx	xxx
3	Cumulative Effect Change in Accounting Policy/Errors	xxx	xxx
4	Inventory Measurement Correction	xxx	xxx
5	Fixed Assets Revaluation	xxx	xxx
7	Others	xxx	xxx
8	Closing Equity Balance	xxx	xxx

GOVERNMENT ACCOUNTING STANDARD
STATEMENT NO. 14

INTANGIBLE ASSET

Note: *This version of the accrual based Government Accounting Standard Is an english translation of the original Bahasa Indonesia version. Should there be a difference in meaning between the translated version (English) and the original version (Bahasa Indonesia), Then the original version is favored over the translated version*

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ACCRUAL BASIS GOVERNMENT ACCOUNTING STANDARD

STATEMENT NUMBER 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, public service agency financial reports and consolidated financial report.

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 expenses 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

<u>Useful life</u> 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.

***Research* is original and planned investigation undertaken with the prospect of gaining new scientific or technical** knowledge and understanding

***Development* 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.**

***License* 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.**

***Franchise* 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.**

***Copyright* 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.**

***Patent* 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 divide 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 separable from computer hardware.
(b) License and Franchise;
(c) Patent and Copyright;
(d) Output of studies/development that provide longterm benefits;
(e) Heritage intangible asset;
(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) Heritage/Cultural.

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) Can be separated, 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 whether the rights can be transferred or separated from the entity or from other rights and obligations

12. Can be separated, must 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. 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 buy hardware, software and module. As long as computer software can be separated from hardware and provide future benefit, then software can be identified as intangible asset. Conversely, in the case of computer software can not be separated from hardware, for example, without that software, the hardware can not operated, then the software can not be identified as intangible asset but recognized as part of devices 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 run without depending on that software, then the software recognized as intangible asset.

CONTROLLABLE

14. Without any 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 BENEFIT

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 inherent in asset can provide benefit to government in the form of non cash or goods that called social benefits, for example, the improving public service by government as one of government's goals or increasing the efficiency of government activity.

16. Future economic benefit from intangible asset can be 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 decreasing the number of resources needed to carry out 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; dan

(b) A development phase.

18. ***Research expenditure can not be recognized as intangible asset. Research expenditure must be recognized as an expenses when they occured.***

19. In the research phase of internal project, an entity can not demonstrate that an intangible asset existed and will generate probable future economic benefits. Therefore, this expenditure recognized as expense when it is occurred.

20. Examples of research activities are:

(a) An activities that aimed to obtain 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) Its intention to complete the intangible asset and use it;

(c) Its ability to use the 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 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. But wether the results of this development generate of intangible asset or not, it must first meet the intangible asset criteria.

23. ***Internal project/activities expenditure capitalized as intangible asset.***

24. Examples of development activities:

(a) The design, construction and testing of pre-production of prototype or models;

(b) The design, construction and operation of pilot plant or operation that is not of a scale of economically feasible for commercial production;

(c) The 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 as research phase expenditures.***

Cost of Web Development

26. Cost of Web development can be recognized as intangible asset if:

(a) The web developed by other party; or

(b) If the web developed internally, the development must be meet the criteria in paragraph 21.

SPECIAL RECOGNITION OF COMPUTER SOFTWARE

27. Computer software can be acquired from internally generation, or from external acquirement.

Software Acquired from Internal

28. ***Software that acquired from internal generated by the entity shall not recognize as intangible asset.***

29. Software that acquired from internally generated/developed 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.

Computer Software Acquired from External

30. Computer software that acquired from external can be such as from purchasing, grant, or exchange. It can be from development contract with other party or direct purchases.

31. ***Computer software that acquired from development through the third party contract recognized as intangible asset and at the contract cost.***

32. Computer software that purchased for own used and as part of the hardware, the software recognized as part of cost of hardware and capitalized as equipment and machinery.

33. Computer software that purchased for own used and not related to hardware capitalized as intangible asset if it is meet asset capitalization criteria.

34. ***Computer software that purchased and intended to sale or transfer to the third party, recognized as inventories.***

35. ***The software that has a usage permit/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 usage permit/useful life less than or up to 12 month, the cost of acquisition is not capitalized.

36. ***Software that acquired by paying usage permit/license with a useful life more than 12 month must be capitalized as intangible asset. Ssoftware that acquired only by paying usage permit/license less than or up to 12 month, is not capitalized.***

37. ***Software that has no limited a usage permit and has a useful life more than 12 month must be capitalized. Software that has no limited a usage permit and has a useful life less than or up to 12 month is not capitalized.***

38. ***An expenditure that related to software that do not meet the capitalization criteria recognized as expense when they occured.***

RESEARCH FUNDED BY OTHER AGENCIES

39. ***In the practice of 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 purchasing price, including import fee and taxes, deducting discounts and rebates;

(b) Any cost that are directly attributable to bring the assets to the intended condition.

44. Examples of cost that are directly attributable to asset::

(a) Training cost to bring asset 3to 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 asset exchange transaction measured at fair value of asset submitted. If there are other asset in the asset 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. ***The expenditure of the intangible asset is not recognized as cost of intangible asset if that cost is recognized as an expense in the prior period.***

51. The intangible asset from developing the computer 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 measured 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. The expenditure after initial recognition of the intangible asset can be capitalized if it is meet one of the 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 criteria of capitalization.

58. The expenditure after initial recognition in the form of extension of use/license that more that 12 month is capitalized to intangible asset.

Amortization

59. ***The intangible asset presented at the carrying amount, at the cost of acquisition less accumulated amortization.***

60. Amortization of intangible asset is as depreciation of 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 implement the amortization, the 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. The 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 implemented to the intangible asset that has finite useful of life. The intangible asset that has finite useful of life must be amortized at the useful period or legal useful period whichever is shorter or based on policy of the institution that have an authority.***

63. Amortization to an intangible asset with finite 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 party.

64. ***Amortization can be done with various method such as straight line method, double declining method and production unit. The method used is chosen 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 benefit. If the pattern can not be determined reliably then straight line method is used.

66. ***Definite residual value of intangible asset 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 method can be reviewed at the end of reporting period. If the estimated useful life differ from previous estimated, the amortization must be adjusted. If there is a significant change in the estimated pattern of economic benefit, the amortization method must 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 could 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, economic benefit from that asset may not be received until the next period.

69. ***An intangible asset that has indefinite useful life, then has a definite useful life base on the regulation, the entity amortize the intangible asset from the accounting policy set up.***

Retirement and Disposal

70. ***An intangible asset that is terminated from active using by the entity shall be reclass to other asset base on carrying amount.***

71. ***An intangible asset that is permanently terminated or disposed must be take out from the balance sheet and disclosed in the Notes to Financial Statement.***

72. Permanent termination or disposal for intangible asset is carried out based on State/local property regulation.

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 Operational.***

74. ***If an intangible asset sold or exchanged, the difference between price and carring amount is recognized as non operating gain or loss and presented in the Statement of Operational.***

DISCLOSURES

75. ***Financial statement shall disclose intangible asset:***

(a) Details of significant intangible asset;

(b) Intangible asset that have an indefinite or definite useful life, the entity shall amortization if the intangible asset has a definite useful life.

(c) Useful life or amortization;

(d) Amortization method if the intangible asset has a definite useful life;

(e) Gross carrying amount and any accumulated amortization at the beginning and end of period;

(f) Significant decreasing in intangible asset;

(g) Retirement and disposal of intangible asset;

(h) Changes in amortization method;

(i) The existence of intangible asset that is jointly owned;

(j) An indication of a decrease in intangible asset that is faster that originally thought.

EFFECTIVE DATE

76. ***This Statement Government Accounting Standard (PSAP) is effective for the preparation and presentation of financial statements from period of 1 January 2020.***

GOVERNMENT ACCOUNTING STANDARD
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*

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ACCRUAL BASIS GOVERNMENT ACCOUNTING STANDARD
STATEMENT NUMBER 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

Objective

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:

Events after the reporting date 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 oligation 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.

22. 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

23. 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.

GOVERNMENT ACCOUNTING STANDARD

STATEMENT NO. 16

SERVICE CONCESSION ARRANGEMENTS: GRANTOR

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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ACCRUAL BASIS GOVERNMENT ACCOUNTING STANDARD

STATEMENT NUMBER 16 INTRODUCTION

SERVICE CONCESSION ARRANGEMENTS: GRANTOR

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.

Statement of Government Accounting Standard 16: Service Concession Arrangements – Grantor, consists of paragraph 01 to paragraph 38 which is accompanied by Application Guidance, Basis for Conclusions, Application Guidance and Illustrative Examples.

INTRODUCTION

Objective

1. ***The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.***

Scope (See Application Guidance Paragraphs 01 - 02)

2. ***The grantor, in this case a government entity, applies this Standard to account for the recognition, measurement, presentation and disclosure of the financial statements which has the general purpose of a service concession arrangements.***

3. This Standard applies to central/local government entities which has the general purpose of a service concession arrangements.

4. Arrangements within the scope of this Standard involve the operator providing public services related to the service concession asset on behalf of the grantor.

5. Arrangements outside the scope of this Standard are those that do not involve the delivery of public services and arrangements that involve service and management components where the asset is not controlled by the grantor (e.g., outsourcing, service contracts, or privatization).

6. This Standard does not apply to accounting for operators. Accounting guidelines for service concession arrangements for concession operators follow the relevant financial accounting standards.

Definitions (See Application Guidance Paragraphs 03 - 04)

7. ***The following terms are used in this Standard with the meanings specified:***

A <u>service concession arrangement</u> is a binding arrangement between a grantor and an operator in which:

(a) the operator uses the service concession asset to provide a public service on behalf of the grantor for a specified period of time; and

(b) the operator is compensated for its services over the period of the service concession arrangement.

A <u>binding agreement</u> is an agreement that gives enforceable rights and obligations to the parties in the agreement, such as in the form of a contract. A binding agreement covers rights and obligations arising from a contract or other legal rights and obligations.

A grantor, for the purposes of this Standard, is the entity that grants the right to use the service concession asset to the operator.

An operator, for the purposes of this Standard, is the entity that uses the service concession asset to provide public services subject to the grantor's control of the asset.

A service concession asset is an asset used to provide public services in a service concession arrangement that:

(a) is provided by the operator which:

i. the operator constructs, develops, or acquires from a third party; or

ii. is an existing asset of the operator; or

(b) is provided by the grantor which:

i. is an existing asset of the grantor; or

ii. is an upgrade to an existing asset of the grantor.

RECOGNITION AND MEASUREMENT OF SERVICES CONSESSION ASSET (See Application Guidance Paragraphs 05 - 34)

8. ***The grantor shall recognize an asset provided by the operator and an upgrade to an existing asset of the grantor as a service concession asset if:***

(a) The grantor controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and

(b) The grantor controls—through ownership, beneficial entitlement or otherwise—any significant residual interest in the asset at the end of the term of the arrangement.

9. ***This Standard applies to an asset used in a service concession arrangement for its entire useful life (a "whole–of–life" asset) if the conditions in paragraph 8(a) are met.***

10. ***The grantor shall initially measure the service concession asset recognized in accordance with paragraph 8 (or paragraph 9 for a whole–of–life asset) at its fair value, except as noted in paragraph 11.***

11. ***Where an existing asset of the grantor meets the conditions specified in paragraph 8(a) and paragraph 8(b) (or paragraph 9 – for a whole–of–life asset), the grantor shall reclassify the existing asset as a service concession asset. The reclassified service concession asset is measured at the asset's carrying amount.***

12. ***After initial recognition or reclassification, service concession assets shall be accounted for in accordance with SGAS governing Fixed Assets or SGAS governing Intangible Assets, as appropriate.***

13. The initial acquisition of service concession asset components in a service concession arrangements that have the same nature or function in the provision of public services by the operator is recorded as a separate type of asset which may be formed from one or several types of asset groups as stated in SGAS governing Fixed Assets Accounting or SGAS governing Intangible Assets Accounting. For example, a bridge construction that is separately described in the fixed asset group will be described as a component of the service concession asset for the provision of road services in accordance with the service

concession arrangements. The service concession asset component is depreciated or amortized systematically over the economic life of the asset, and is not limited by the concession period under the service concession arrangements.

14. ***At the end of the service concession period, the service concession asset is reclassified into the type of asset group based on the nature or function following the provisions of SGAS governing Fixed Assets or SGAS governing Intangible Assets. The reclassification is measured using the carrying amount of the asset.***

RECOGNITION AND MEASUREMENT OF LIABILITIES
(See Application Guidance Paragraphs 35 - 49)

15. ***Where the grantor recognizes a service concession asset in accordance with paragraph 8 (or paragraph 9 for a whole–of–life asset), the grantor shall also recognize a liability. The grantor shall not recognize a liability when an existing asset of the grantor is reclassified as a service concession asset in accordance with paragraph 11, except in circumstances where additional consideration is provided by the operator, as noted in paragraph 16.***

16. ***The liability recognized in accordance with paragraph 15 shall be initially measured at the same amount as the service concession asset measured in accordance with paragraph 10, adjusted by the amount of any other consideration (e.g., cash) from the grantor to the operator, or from the operator to the grantor.***

17. The nature of the liability recognized is based on the nature of the consideration exchanged between the grantor and the operator. The nature of the consideration given by the grantor to the operator is determined by reference to the terms of the binding arrangement and, when relevant, contract law.

18. In exchange for the service concession asset, the grantor may compensate the operator for the service concession asset by any combination of:

(a) Making payments to the operator (the "financial liability" model);
(b) Compensating the operator by other means (the "grant of a right to the operator" model) such as:
   i. Granting the operator the right to earn revenue from third–party users of the service concession asset; or
   ii. Granting the operator access to another revenue–generating asset for the operator's use (e.g., a private wing of a hospital where the remainder of the hospital is used by the grantor to treat public patients or a private parking facility adjacent to a public facility).

Financial Liability Model

19. ***Where the grantor has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, the grantor shall account for the liability recognized in accordance with paragraph 14 as a financial liability.***

20. The grantor has an unconditional obligation to pay cash if it has guaranteed to pay the operator:

(a) Specified or determinable amounts; or

(b) The shortfall, if any, between amounts received by the operator from users of the public service and any specified or determinable amounts referred to in paragraph 20(a), even if the payment is contingent on the operator ensuring that the service concession asset meets specified quality or efficiency requirements.

21. The treatment of financial liabilities recognized in accordance with paragraph 15 shall be guided by the accounting standards on financial instruments, except for the matters that have been regulated and guided by this Standard.

22. The grantor shall allocate the payments to the operator and account for them according to their substance as:

(a) a reduction in the liability recognized in accordance with paragraph 15;

(b) a finance charge; and

(c) charges for services provided by the operator.

23. The finance charge and charges for services provided by the operator in a service concession arrangement determined in accordance with paragraph 22(b) and the invoice for the availability of public services by the operator as referred to in paragraph 22(c) in accordance with the purpose of the service concession arrangement, shall be accounted for as expenses.

24. Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments from the grantor to the operator shall be allocated by reference to the relative fair values of the service concession asset and the services. Where the asset and service components are not separately identifiable, the service component of payments from the grantor to the operator is determined using estimation techniques.

Grant of a Right to the Operator Model

25. Where the grantor does not have an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, and grants the operator the right to earn revenue from third–party users or another revenue– generating asset, the grantor shall account for the liability recognized in accordance with paragraph 15 as the unearned portion of the revenue arising from the exchange of assets between the grantor and the operator.

26. The grantor shall recognize revenue and reduce the liability recognized in accordance with paragraph 25 according to the economic substance of the service concession arrangement.

27. Where the grantor compensates the operator for the service concession asset and the provision of services by granting the operator the right to earn revenue from third–party users of the service concession asset or another revenue–generating asset, the exchange is regarded as a transaction that generates revenue. As the right granted to the operator is effective for the period of the service concession arrangement, the grantor does not recognize revenue from the exchange immediately. Instead, a liability is recognized for any portion of the revenue that is not yet earned. The revenue is recognized according to the economic substance of the service concession arrangement, and the liability is reduced as revenue is recognized.

28. In the scheme of granting business rights to operators involves payments from the grantor to the operator in connection with the use of service concession assets whose public services are enjoyed by third parties or the public, such payments are reciprocal transactions in exchange for the use of service concession assets and are not related to the acquisition of service concession assets or reduction of liabilities – deferred revenue. In this case, the grantor makes a payment to the operator for the use of public services from the use of the service concession asset, and the payment is recognized as an expense.

Dividing the Arrangement

29. ***If the grantor pays for the construction, development, acquisition, or upgrade of a service concession asset partly by incurring a financial liability in accordance with paragraph 19 and partly by the permit of a business right to the operator in accordance with paragraph 25, t is necessary to account separately for each part of the total liability recognized in accordance with paragraph 15. The amount initially recognized for the total liability shall be the same amount as that specified in paragraph 15.***

30. ***The grantor shall account for each part of the liability referred to in paragraph 29 in accordance with paragraphs 19–28.***

OTHER LIABILITIES, COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(See Application Guidance Paragraphs 50 - 53)

31. ***The grantor shall account for other liabilities, commitments, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with the accounting standards on Provisions, Contingent Liabilities and Contingent Assets.***

OTHER REVENUES

(See Application Guidance Paragraphs 54 - 63)

32. ***The grantor shall account for revenues from a service concession arrangement, other than those specified in paragraphs 25–28, in accordance with accounting standard regarding revenues from exchange transactions.***

PRESENTATION AND DISCLOSURE

(See Application Guidance Paragraphs 64 - 65)

33. ***The grantor shall present information in accordance with the provisions of the SGAS governing the Presentation of Financial Statement.***

34. ***All aspects of a service concession arrangement shall be considered in determining the appropriate disclosures in the notes. A grantor shall disclose the following information in respect of service concession arrangements in each reporting period:***

(a) A description of the arrangement, contract, or equivalent engagement in connection with the service concession arrangement;

(b) Significant terms of the arrangement that may affect the amount, timing, and certainty of future cash flows (e.g., the period of the concession, re–pricing dates, and the basis upon which re– pricing or re–negotiation is determined);

(c) The nature and extent (e.g., quantity, time period, or amount, as appropriate) of:

- ***i. Rights to use specified assets;***
- ***ii. Rights to expect the operator to provide specified services in relation to the service concession arrangement;***
- ***iii. The carrying amount of service concession assets recognized at the end of the reporting period, including existing assets of the grantor reclassified as service concession assets;***
- ***iv. Rights to receive specified assets at the end of the service concession arrangement;***
- ***v. Renewal and termination options;***
- ***vi. Other rights and obligations (e.g., major overhaul of service concession assets); and***
- ***vii. Obligations to provide the operator with access to service concession assets or other revenue–generating assets; and***

(d) Changes in the arrangement occurring during the reporting period.

35. The disclosures referred to in paragraph 34 is an additional disclosure that is material in connection with the service concession arrangement. Disclosures of accounting treatments that are specifically regulated in other SGAS follow adequate disclosures in accordance with those other SGAS.

36. The disclosures referred to paragraph 34 are presented individually for each service concession arrangement or presented as a whole for each group of service concession arrangement. A group of service concession arrangement is a combination of service concession arrangement that have similar types or groups, for example tollroad maintenance, telecommunications, or water treatment services.

TRANSITION PROVISIONS
(See Application Guidance paragraphs 66 – 67)

37. ***For service concession arrangement that has been in place prior to the enactment of this Standard, government entities determine the cumulative effect of applying this standard starting from the initial period possible by referring to the SGAS governing Accounting Policies, Changes in Accounting Policies, Errors, Changes in Accounting Estimates and Discontinued Operations.***

EFFECTIVE DATE

38. ***Statement of Government Accounting Standards (SGAS) is effective on January 1, 2022. Grantor should apply this SGAS for annual financial reporting periods on or after the effective date***

Application Guidance

(This Application Guidance is an integral part of SGAS on Service Concession Arrangements – Grantor)

Scope (see paragraphs 2-6)

AG 01 This Standard is intended to “mirror” Interpretation 16 of the Interpretation of Financial Accounting Standards (ISAK 16), which sets out the accounting requirements for the private sector operator in a service concession arrangement. To do so, the scope, principles for recognition of an asset, and terminology are consistent with the applicable guidance in ISAK 16. However, because this Standard deals with the accounting issues of the grantor, this Standard addresses the issues identified in ISAK 16 from the grantor’s point of view, as follows:

(a) The grantor recognizes a financial liability when it is obliged to make a series of payments to the operator for provision of a service concession asset (i.e., constructed, developed, acquired, or upgraded). Using the measurement requirements specified in this Standard under paragraphs 12, 14, and 20 of ISAK 16, the operator recognizes revenue for the construction, development, acquisition, upgrade, and operation services it provides. Under paragraph 8 of ISAK 16, the operator derecognizes an asset that it held and recognized as property, plant, and equipment before entering the service concession arrangement.

(b) The grantor recognizes a liability when it grants the operator the right to earn revenue from third–party users of the service concession asset or another revenue–generating asset. Under paragraph 26 of ISAK 16, the operator recognizes an intangible asset.

(c) The grantor derecognizes an asset it grants to the operator and over which it no longer has control. Under paragraph 27 of ISAK 16, the operator recognizes the asset and a liability in respect of any obligations it has assumed in exchange for the asset.

AG 02 Paragraph 8 of this Standard specifies the conditions under which an asset, other than a whole–of–life asset, is within the scope of the Standard. Paragraph 10 of the Standard specifies the condition under which whole– of–life assets are within the scope of the Standard.

Definitions (see paragraph 7)

AG 03 Paragraph 7 defines a service concession arrangement. Common feature of a service concession arrangement are:

(a) The grantor is a public sector entity;

(b) The operator is responsible for at least some of the management of the service concession asset and related services and does not merely act as an agent on behalf of the grantor;

(c) The arrangement sets the initial prices to be levied by the operator and regulates price revisions over the period of the service concession arrangement;

(d) The operator is obliged to hand over the service concession asset to the grantor in a specified condition at the end of the period of the arrangement, for little or no incremental consideration, irrespective of which party initially financed it; and

(e) The arrangement is governed by a binding arrangement that sets out performance standards, mechanisms for adjusting prices, and arrangements for arbitrating disputes.

AG 04 Paragraph 7 defines a service concession asset. Examples of service concession assets are: roads, bridges, tunnels, prisons, hospitals, airports, water distribution facilities, energy supply and telecommunication networks, permanent installations for military and other operations, and other non–current tangible or intangible assets used for administrative purposes in delivering public services.

Recognition and Initial Measurement of a Service Concession Asset (see paragraphs 8–14)

Recognition of a Service Concession Asset

AG 05 The assessment of whether a service concession asset should be recognized in accordance with paragraph 8 (or paragraph 9 for a whole–of–life asset) is made on the basis of all of the facts and circumstances of the arrangement.

AG 06 The control or regulation referred to in paragraph 8(a) could be by a binding arrangement, or otherwise (such as through a third party regulator that regulates other entities that operate in the same industry or sector as the grantor), and includes circumstances in which the grantor buys all of the output as well as those in which some or all of the output is bought by other users. The ability to exclude or regulate the access of others to the benefits of an asset is an essential element of control that distinguishes an entity's assets from those public goods that all entities have access to and benefit from. The binding arrangement sets the initial prices to be levied by the operator and regulates price revisions over the period of the service concession arrangement. When the binding arrangement conveys the right to control the use of the service concession asset to the grantor, the asset meets the condition specified in paragraph 8(a) regarding control in relation to those to whom the operator must provide services.

AG 07 For the purpose of paragraph 8(a), the grantor does not need to have complete control of the price: it is sufficient for the price to be regulated by the grantor, binding arrangement, or a third party regulator that regulates other entities that operate in the same industry or sector (e.g., hospitals, schools, or universities) as the grantor (e.g., by a capping mechanism). However, the condition is applied to the substance of the arrangement. Non–substantive features, such as a cap that will apply only in remote circumstances, are ignored. Conversely, if, for example, an arrangement purports to give the operator freedom to set prices, but any excess profit is returned to the grantor, the operator's return is capped and the price element of the control test is met.

AG 08 Many governments have the power to regulate the behavior of entities operating in certain sectors of the economy, either directly, or through specifically created agencies. For the purpose of paragraph 8(a), the broad regulatory powers described above do not constitute control. In this Standard, the term "regulate" is intended to be applied only in the context of the specific terms and conditions of the service concession arrangement. For example, a regulator of rail services may determine rates that apply to the rail industry as a whole. Depending on the legal framework in a jurisdiction, such rates may be implicit in the binding arrangementgoverning a service concession arrangement involving the provision of railway transportation, or they may be specifically referred to therein. However, in both cases, the control of the service concession asset is derived from either the contract, or similar binding arrangement, or from the specific regulation applicable to rail services and not from the fact that the grantor is a public sector entity (government) that is related to the regulator of rail service.

AG 09 For the purpose of paragraph 8(b), the grantor’s control over any significant residual interest should both restrict the operator’s practical ability to sell or pledge the asset and give the grantor a continuing right of use throughout the period of the service concession arrangement. The residual interest in the asset is the estimated current value of the asset as if it were already of the age and in the condition expected at the end of the period of the service concession arrangement.

AG 10 Control should be distinguished from management. If the grantor retains both the degree of control described in paragraph 8(a) and any significant residual interest in the asset, the operator is only managing the asset on the grantor’s behalf—even though, in many cases, it may have wide managerial discretion.

AG 11 The conditions in paragraphs 8(a) and 8(b) together identify when the asset, including any replacements required, is controlled by the grantor for the whole of its economic life. For example, if the operator has to replace part of an asset during the period of the arrangement (e.g., the top layer or surface of a road or the roof of a building), the asset is considered as a whole. Thus the condition in paragraph 8(b) is met for the whole of the asset, including the part that is replaced, if the grantor controls any significant residual interest in the final replacement of that part.

AG 12 Sometimes the use of a service concession asset is partly regulated in the manner described in paragraph 8(a) and partly unregulated. However, these arrangements take a variety of forms:

(a) Any asset that is physically separable and capable of being operated independently and meets the characteristics of an asset that generates cash receipts, is analyzed separately to determine whether the conditions set out in paragraph 8(a) are met if it is used entirely for unregulated purposes (for example, the asset might apply to a part of a hospital that is not dedicated to the public, where the rest of the hospital is used by the grantor for general patient services); and

(b) When purely ancillary activities (such as a hospital shop) are unregulated, the control tests are applied as if those services did not exist, because in cases in which the grantor controls the services in the manner described in paragraph 8(a), the existence of ancillary activities does not detract from the grantor’s control of the service concession asset.

AG 13 The operator may have a right to use the separable asset described in paragraph AG12(a), or the facilities used to provide ancillary unregulated services described in paragraph AG12(b). In either case, there may in substance be a lease from the grantor to the operator; if so, it is accounted for in accordance with SGAS 43 governing Leases.

Existing Asset of the Grantor

AG 14 The arrangement may involve an existing asset of the grantor:

(a) To which the grantor gives the operator access for the purpose of the service concession arrangement; or

(b) To which the grantor gives the operator access for the purpose of generating revenues as compensation for the service concession asset.

AG 15 The requirement in paragraph 10 is to measure assets recognized in accordance with paragraph 8 (or paragraph 9 for a whole–of–life asset) initially at fair value. Existing assets of the grantor used in the service concession arrangement are reclassified rather than recognized under this Standard. Only an upgrade to an existing asset of the grantor (e.g., that increases its capacity) is recognized as a service concession asset in accordance with paragraph 8, or paragraph 9 for a whole–of–life asset).

AG 16 If an asset originating from a grantor no longer meets the recognition requirements as set out in paragraph 8 (or paragraph 9 for the useful life of the asset), the grantor follows the derecognition principles in SGAS governing Fixed Assets or SGAS governing Intangible Assets. For example, if an asset available from the grantor is transferred to an operator on a permanent basis, it is derecognized. If the asset is transferred on a temporary basis, the grantor considers the substance of the terms of the service concession arrangement in determining whether the asset should be derecognized. In such cases, the grantor also considers whether the agreement is a lease transaction or a sale and leaseback transaction that should be accounted for in accordance with the SGAS governing Leases.

AG 17 When the service concession arrangement involves upgrading an existing asset of the grantor such that the future economic benefits or service potential the asset will provide are increased, the upgrade is assessed to determine whether it meets the conditions for recognition in paragraph 8 (or paragraph 9 for a whole–of– life asset). If those conditions are met, the upgrade is recognized and measured in accordance with this Standard.

Existing Asset of the Operator

AG 18 The operator may provide an asset for use in the service concession arrangement that it has not constructed, developed, or acquired. If the arrangement involves an existing asset of the operator which the operator uses for the purpose of the service concession arrangement, the grantor determines whether the asset meets the conditions in paragraph 8 (or paragraph 9 for a whole–of–life asset). If the conditions for recognition are met, the grantor recognizes the asset as a service concession asset and accounts for it in accordance with this Standard.

Constructed or Developed Asset

AG 19 Where a constructed or developed asset meets the conditions in paragraph 8 (or paragraph 9 for a whole– of–life asset) the grantor recognizes and measures the asset in accordance with this Standard. The SGAS governing Fixed Assets or the SGAS governing Intangible Assets establishes the criteria for when a service concession asset is recognized. SGAS governing Fixed Assets and SGAS governing Intangible Assets require that an asset shall be recognized if, and only if:

(a) It is probable that future economic benefits or service potential associated with the item will flow to the entity; and

(b) The item can be measured reliably.

AG 20 The criteria in paragraph AG19, together with the specific terms and conditions of the binding arrangement, need to be considered in determining whether to recognize the service concession asset during the period in which the asset is constructed or developed. For both property, plant, and equipment and intangible assets, the recognition criteria may be met during the construction or development period, and, if so, the grantor will normally recognize the service concession asset during that period.

AG 21 The first recognition criterion requires the flow of economic benefits or service potential to the grantor. From the grantor's point of view, the primary purpose of a service concession asset is to provide service potential on behalf of the public sector grantor. Similar to an asset the grantor constructs or develops for its own use, the grantor would assess, at the time the costs of construction or development are incurred, the terms of the binding arrangement to determine whether the service potential of the service concession asset would flow to the grantor at that time.

AG 22 The second recognition criterion requires that the initial cost or fair value of the asset can be measured reliably. Accordingly, to meet the recognition criteria in SGAS governing Fixed Assets or SGAS governing Intangible Assets, as appropriate, the grantor must have reliable information about the historical cost or current operational value or fair value of the asset during its construction or development. For example, if the service concession arrangement requires the operator to provide the grantor with progress reports during the asset's construction or development, the costs incurred may be measurable, and would therefore meet the recognition principle in SGAS governing Fixed Assets for constructed assets or in SGAS governing Intangible Assets for developed assets. Also, where the grantor has little ability to avoid accepting an asset constructed or developed to meet the specifications of the contract, or a similar binding arrangement, the costs are recognized as progress is made towards completion of the asset. Thus, the grantor recognizes a service concession asset and an associated liability.

Measurement of Service Concession Assets

AG 23 Paragraph 10 requires service concession assets recognized in accordance with paragraph 8 (or paragraph 9 for a whole–of–life asset) to be measured initially at fair value. In particular, fair value is used to determine the cost of a constructed or developed service concession asset or the cost of any upgrades to existing assets, on initial recognition. The requirement in paragraph 10 does not apply to existing assets of the grantor that are reclassified as service concession assets in accordance with paragraph 11 of this Standard. The use of current value measurement basis on initial recognition does not constitute a revaluation under SGAS governing Fixed Assets or SGAS governing Intangible Assets.

AG 24 The type of compensation exchanged between the grantor and the operator affects how the fair value of the service concession asset is determined on initial recognition. The paragraphs that follow outline how to determine the fair value of the asset on initial recognition based on the type of compensation exchanged:

(a) Where payments are made by the grantor to the operator, the fair value on initial recognition of the asset represents the portion of the payments paid to the operator for the asset.

(b) Where the grantor does not make payments to the operator for the asset, the asset is accounted for in the same way as an exchange of non–monetary assets in SGAS governing Fixed Assets and SGAS governing Intangible Assets.

Types of Compensation

AG 25 Service concession arrangements are rarely if ever the same; technical requirements vary by sector and by jurisdiction. Furthermore, the terms of the arrangement may also depend on the specific features of the overall legal framework of the particular jurisdiction. Contract laws, where they exist, may contain terms that do not have to be repeated in individual contracts.

AG 26 Depending on the terms of the service concession arrangement, the grantor may compensate the operator for the service concession asset and service provision by any combination of the following:

(a) Making payments (e.g., cash) to the operator;

(b) Compensating the operator by other means, such as:

i. Granting the operator the right to earn revenue from third–party users of the service concession asset; or

ii. Granting the operator access to another revenue–generating asset for its use.

AG 27 Where the grantor compensates the operator for the service concession asset by making payments to the operator, the asset and service components of the payments may be separable (e.g., the binding arrangement specifies the amount of the predetermined series of payments to be allocated to the service concession asset) or inseparable.

Separable Payments

AG 28 A service concession arrangement may be separable in a variety of circumstances, including, but not limited to, the following:

(a) Part of a payment stream that varies according to the availability of the service concession asset itself and another part that varies according to usage or performance of certain services are identified;

(b) Different components of the service concession arrangement run for different periods or can be terminated separately. For example, an individual service component can be terminated without affecting the continuation of the rest of the arrangement; or

(c) Different components of the service concession arrangement can be renegotiated separately. For example, a service component is market tested and some or all of the cost increases or reductions are passed on to the grantor in such a way that the part of the payment by the grantor that relates specifically to that service can be identified.AG 29 SGAS governing Fixed Assets and SGAS governing Intangible Assets require initial measurement of an asset acquired in an exchange transaction at cost, which is the cash price equivalent of the asset. For exchange transactions, the transaction price is considered to be fair value, unless indicated otherwise. Where the asset and service components of payments are separable, the cash price equivalent of the service concession asset is the present value of the service concession asset component of the payments. However, if the present value of the asset portion of the payments is greater than fair value, the service concession asset is initially measured at its fair value.

Inseparable Payments

AG 30 Where the asset and service component of payments by the grantor to the operator are not separable, the fair value in paragraph 10 is determined using estimation techniques.

AG 31 For the purpose of applying the requirements of this Standard, payments and other consideration required by the arrangement are allocated at the inception of the arrangement or upon a reassessment of the arrangement into those for the service concession asset and those for other components of the service concession arrangement (e.g., maintenance and operation services) on the basis of their relative fair values. The fair value of the service concession asset includes only amounts related to the asset and excludes amounts for other components of the service concession arrangement. In some cases, allocating the payments for the asset from payments for other components of the service concession arrangement will require the grantor to use an estimation technique. For example, a grantor may estimate the payments related to the asset by reference to the fair value of a comparable asset in an arrangement that contains no other components, or by estimating the payments for the other components in the service concession arrangement by reference to comparable arrangements and then deducting these payments from the total payments under the arrangement.

Operator Receives Other Forms of Compensation

AG 32 The types of transactions referred to in paragraph 18(b) are non–monetary exchange transactions.

AG 33 When the operator is granted the right to earn revenue from third–party users of the service concession asset, or another revenue–generating asset, or receives non–cash compensation from the grantor, the grantor does not incur a cost directly for acquiring the service concession asset. These forms of compensation to the operator are intended to compensate the operator both for the cost of the service concession asset and for operating it during the term of the service concession arrangement. The grantor therefore needs to initially measure the asset component in a manner consistent with paragraph 10.

Subsequent Measurement

AG 34 After initial recognition, a grantor applies SGAS governing Fixed Assets or Intangible Assets. to the subsequent measurement and derecognition of a service concession asset. These requirements in these Standards are applied to all assets recognized or classified as service concession assets in accordance with this Standard.

Recognition and Measurement of Liabilities (see paragraphs 15 - 29)

AG 35 The grantor recognizes a liability in accordance with paragraph 15 only when a service concession asset is recognized in accordance with paragraph 8 (or paragraph 9 for a whole–of–life asset). The nature of the liability recognized in accordance with paragraph 14 differs in each of the circumstances described in paragraph AG24 according to its substance.

The Financial Liability Model (see paragraphs19 – 24)

AG 36 The grantor has an unconditional obligation if it has little, if any, discretion to avoid the obligation usually because of the binding arrangement with the operator being enforceable by law.

AG 37 When the grantor provides compensation to the operator for the cost of the service concession asset and service provision in the form of a predetermined series of payments, an amount reflecting the portion of the predetermined series of payments that pertains to the asset is recognized as a liability in accordance with paragraph 15. This liability does not include the finance charge and service components of the payments specified in paragraph 22.

AG 38 Where the grantor makes any payments to the operator in advance of the service concession asset being recognized, the grantor accounts for those payments as prepayments.

AG 39 The finance charge specified in paragraph 22 is determined based on the operator's cost of capital specific to the service concession asset, if this is practicable to determine.

AG 40 If the operator's cost of capital specific to the service concession asset is not practicable to determine, the rate implicit in the arrangement specific to the service concession asset, the grantor's incremental borrowing rate, or another rate appropriate to the terms and conditions of the arrangement, is used.

AG 41 Where sufficient information is not available, the rate used to determine the finance charge may be estimated by reference to the rate that would be expected on acquiring a similar asset (e.g., a lease of a similar asset, in a similar location and for a similar term). The estimate of the rate should be reviewed together with:

(a) The present value of the payments;

(b) The assumed fair value of the asset; and

(c) The assumed residual value, to ensure all figures are reasonable and mutually consistent.

AG 42 In cases when the grantor takes part in the financing (e.g., by lending the operator the funds to construct, develop, acquire, or upgrade a service concession asset, or through guarantees), it may be appropriate to use the grantor's incremental borrowing rate to determine the finance charge.

AG 43 The interest rate used to determine the finance charge may not be subsequently changed unless the asset component or the whole of the arrangement is renegotiated.AG 44 The finance charge related to the liability in a service concession arrangement is presented consistently with other finance charges in accordance with SGAS 28, SGAS 30, and SGAS 41.

AG 45 The service component of payments determined in accordance with paragraph 22 is ordinarily recognized evenly over the term of the service concession arrangement because this pattern of recognition best corresponds to the service provision. In cases when specific expenses are required to be separately compensated, and their timing is known, such expenses are recognized as incurred.

Grant of a Right to the Operator Model (see paragraphs 25 – 28)

AG 46 When the grantor compensates the operator for the service concession asset and service provision by granting the operator the right to earn revenue from third–party users of the service concession asset, the operator is granted the right to earn revenue over the period of the service concession arrangement. Likewise, the grantor earns the benefit associated with the assets received in the service concession arrangement in exchange for the right granted to the operator over the period of the arrangement. Accordingly, the revenue is not recognized immediately. Instead, a liability is recognized for any portion of the revenue that is not yet earned. Revenue is recognized and the liability reduced in accordance with paragraph 26 based on the economic substance of the service concession arrangement, usually as access to the service concession asset is provided to the operator over the term of the service concession arrangement. As described in paragraph AG26, the grantor may compensate the operator by a combination of payments and granting a right to earn revenue directly from third–party users. In such cases, if the operator's right to earn such third–party revenues significantly reduces or eliminates the grantor's predetermined series of payments to the operator, another basis may be more appropriate for reducing the liability (e.g., the term over which the grantor's future predetermined series of payments are reduced or eliminated).

AG 47 When the grantor compensates the operator for the service concession asset and service by the provision of a revenue–generating asset, other than the service concession asset, revenue is recognized and the liability recognized in accordance with paragraph 25 is reduced in a manner similar to that described in paragraph AG46. In such cases, the grantor also considers the derecognition requirements in SGAS governing Fixed Assets or SGAS governing Intangible Assets, as appropriate.

AG 48 In some cases under the grant of a right to the operator model, there may be a "shadow toll". Some shadow tolls are paid for the construction, development, acquisition, or upgrade of the service concession asset, and its operation by the operator. In cases where the grantor pays the operator solely for the usage of the service concession asset by third–party users, such payment is compensation in exchange for the usage and not the acquisition of the service concession asset. Accordingly, such payments do not relate to the liability specified in paragraph AG47.

The grantor compensates the operator only to the extent of the usage of the service concession asset, and accounts for such payments as expenses.*Dividing the Arrangement (see paragraphs 29 – 30)*

AG 49 If the operator is compensated for the service concession asset partly by a predetermined series of payments and partly by receiving the right to earn revenue from third–party use of either the service concession asset or another revenue–generating asset, it is necessary to account separately for each portion of the liability related to the grantor's consideration. In these circumstances, the consideration to the operator is divided into a financial liability portion for the predetermined series of payments and a liability portion for the right granted to the operator to earn revenue from third–party use of the service concession asset or another revenue–generating asset. Each portion of the liability is recognized initially at the fair value of the consideration paid or payable.

Other Liabilities, Commitments, Contingent Liabilities and Contingent Assets (see paragraph 31)

AG 50 Service concession arrangements may include various forms of financial guarantees (e.g., a guarantee, security, or indemnity related to the debt incurred by the operator to finance construction, development,acquisition, or upgrade of a service concession asset), or performance guarantees (e.g., guarantee of minimum revenue streams, including compensation for short–falls).

AG 51 Certain guarantees made by a grantor may meet the definition of a financial guarantee contract. The grantor determines whether guarantees made by the grantor as part of a service concession arrangement meet the definition of a financial guarantee contract. Where the guarantee is an insurance contract, the grantor can elect to apply the relevant international or national accounting standard dealing with insurance contracts.

AG 52 Guarantees and commitments that do not meet the requirements in the financial guarantee contracts or are not insurance contracts are accounted for in accordance with SGAS governing Provision, Contingent Liabilities and Contingent Assets.

AG 53 Contingent assets or liabilities may arise from disputes over the terms of the service concession arrangement. Such contingencies are accounted for in accordance with SGAS governing Provision, Contingent Liabilities and Contingent Assets.

Other Revenues (see paragraph 32)

AG 54 The operator may compensate the grantor for access to the service concession asset by providing the grantor with a series of predetermined inflows of resources, including the following:

(a) An upfront payment or a stream of payments;

(b) Revenue–sharing provisions;

(c) A reduction in a predetermined series of payments the grantor is required to make to the operator; and

(d) Rent payments for providing the operator access to a revenue–generating asset.

AG 55 When the operator provides an upfront payment, a stream of payments, or other consideration to the grantor for the right to use the service concession asset overthe term of the service concession arrangement, the grantor accounts for these payments in accordance with SGAS that governs Revenue. The timing of the revenue recognition is determined by the terms and conditions of the service concession arrangement that specify the grantor's obligation to provide the operator with access to the service concession asset.

AG 56 Where the operator provides an upfront payment, a stream of payments, or other consideration to the grantor in addition to the service concession asset, for the right to earn the revenue from third–party use of the service concession asset, or another revenue–generating asset, any portion of the payments received from the operator not earned in the accounting period is recognized as a liability until the conditions for revenue recognition are met.

AG 57 When the conditions for revenue recognition are met, the liability is reduced as the revenue is recognized in accordance with paragraph 32.

AG 58 However, given the varying nature of the types of assets that may be used in service concession arrangements, and the number of years over which the arrangements operate, there may be more appropriate alternative methods for recognizing revenue associated with the inflows specified in the binding arrangement that better reflect the operator's economic consumption of their access to the service concession asset and/or the time value of money. For example, an annuity method that applies a compounding interest factor that more evenly recognizes revenue on a discounted basis, as opposed to on a nominal basis, may be more appropriate for a service concession arrangement with a term extending over several decades.

AG 59 When an upfront payment is received from the operator, the revenue is recognized in a way that best reflects the operator's economic consumption of its access to the service concession asset and/or the time value of money. For example, when the operator is required to pay annual installments over the term of the service concession arrangement, or predetermined sums for specific years, the revenue is recognized over the specified term.

AG 60 For service concession arrangements under which the operator is granted the right to earn revenue from third–party users of the service concession asset, revenue relates to the inflow of economic benefits received as the services are provided and is therefore recognized on the same basis as the liability is reduced. In these cases, the grantor will often negotiate to include a revenue–sharing provision in the arrangement with the operator. Revenue–sharing as part of a service concession arrangement may be based on all revenue earned by the operator, or on revenue above a certain threshold, or on revenue more than the operator needs to achieve a specified rate of return.

AG 61 The grantor recognizes revenue generated from revenue–sharing provisions in service concession arrangements as it is earned, in accordance with the substance of the relevant agreement, after any contingent event (e.g., the achievement of a revenue threshold) is deemed to have occurred. The grantor applies SGAS 19 to determine when the contingent event has occurred.

AG 62 A reduction in the future predetermined series of payments the grantor would otherwise be required to make to the operator provides the grantor with upfront non–cash consideration. Such revenue is recognized as the liability is reduced.

AG 63 When the operator pays a nominal rent for access to a revenue–generating asset, the rental revenue is recognized in accordance with SGAS 47.

Presentation and Disclosure (see paragraphs 33 – 36)

AG 64 Disclosures relating to various aspects of service concession arrangements may be addressed in existing Standards. This Standard addresses only the additional disclosures relating to service concession arrangements. Where the accounting for a particular aspect of a service concession arrangement is addressed in another Standard, the grantor follows the disclosure requirements of that Standard in addition to those set out in paragraph 34.

AG 65 In addition to the disclosures outlined in paragraphs 33−36, the grantor also applies the relevant presentation and disclosure requirements in other SGAS as they pertain to assets, liabilities, revenues, and expenses recognized under this Standard.

Transition (see paragraph 37)

AG 66 In the period of initial application of this Standard, it is very likely that there are service concession arrangements that have been in place for a long time before the enactment of this Standard, and the grantor have not recognized the service concession assets and the related liabilities, revenues and expenses affected. Therefore, at the beginning of the application, this Standard requires grantor to recognize service concession assets and the related liabilities, revenues and expenses retrospectively to the events of service concession arrangement that were initiated in the past to be presented in the financial statements with reference to the SGAS governing Changes in Accounting Policy, Errors, Changes in Accounting Estimates and Discontinued Operations.

AG 67 Service concession assets are retrospectively measured using the cost model on the value of the components of the service concession asset carried forward at the date of initial application together with any accumulated depreciation or accumulated amortization of the asset. The cumulative effect of initial application on the recognition of the service concession asset component is recorded as an adjustment to the opening balance of changes in equity at the date of initial application.

Basis for Conclusions

(This Basis for Conclusions accompanies SGAS Service Concession Arrangements, but is not part of SGAS)

Objective

BC 01 The government's efforts to conduct partnership between the government and business entities in the provision of infrastructure and public services began in 2005, marked by the issuance of Presidential Regulation (Perpres) Number 67 of 2005 concerning Government partnership with Business Entities in the Provision of Infrastructure. Presidential Regulation (Perpres) 67 of 2005 has been amended several times, before finally being revoked and replaced by Presidential Regulation (Perpres) Number 38 of 2015 concerning Government partnership with Business Entities in the Provision of Infrastructure. However, before 2000, the substance of partnership between the government and business entities had already taken place with the term at that time being government partnership with the private sector.

BC 02 The implementation of government arrangement with business entities cannot be separated from the public sector financial modeling initiated by the World Bank where the government has limited financing funds for the provision of infrastructure and public services, and this modeling is known internationally as Public Private Partnership (PPP). The government's involvement in the partnership with the business entity is primarily to provide public services as mandated by Law Number 25 of 2009 on Public Servicesand Government Regulation (PP) Number 96 of 2012 on the Implementation of Law Number 25 of 2009 on Public Services, and not solely for the procurement and acquisition of state/local property assets.

BC 03 Utilization of state/local property in the form of partnership in the provision of infrastructure is presented in the Statement of Financial Position as a Partnership in the classification of Other Assets guided by SGAS 01 governing Presentation of Financial Statements. Based on the definition in SGAS 01, that "Partnership" is an agreement between two or more parties that have a commitment to carry out jointly controlled activities by using assets and / or business rights owned. Thus, it needs to be tested whether the utilization of state/local property in the provision of infrastructure for the public interest and public services meets the existence of joint control between the parties. In case of the control by the government, it is necessary to rearrange the presentation of items in the Statement of Financial Position, and at the same time it becomes a critical point whether the utilization of state/local in the form of partnership in the provision of infrastructure , the accounting treatment will be a joint arrangement, investment property, fixed assets under a lease agreement, or fixed assets under a service concession arrangement.

BC 04 As arrangement between the government and business entities in the provision of infrastructure and public services involve the participation of business entities in the private sector, the business entities are guided by the accounting principles set out in Interpretation of Financial Accounting Standards 16 of the Indonesian Financial Accounting Standards Board, Service Concession Arrangement (ISAK 16). ISAK 16 does not provide guidance on accounting principles for grantor, in this case government entity. The Government Accounting Standards Committee,(KSAP) believes that this Standard will improve consistency and comparability in government entities' financial statements for financial transactions and events arising from service concession arrangement.

Scope

BC 05 At the beginning of the discussion on the preparation of the standard in early 2018, KSAP adapted the accounting principles set out in Statements of Financial Accounting Standards (PSAK) Number 39 about Accounting for Operating Cooperation to simply regulate government transactions in government arrangement with business entities, especially service concessions. However, by considering and studying various forms of government arrangement with private sector business entities, service concession arrangements have different characteristics so that KSAP concluded that the scope of this Standard is more appropriately intended as the reverse side of the arrangement in ISAK 16, where the government as a grantor recognizes service concession assets. Of course, in this case, the grantor government entity and the operator business entity are bound by the same agreement to apply the respective accounting principles to determine which party recognizes the use of the service concession asset.

BC 06 In order to comply with the government accounting guidance for financial transactions and events arising from service concession arrangement, KSAP concluded that International Public Sector Accounting Standard (SGAS) 32 – Service Concession Arrangements: Grantor, which is revised and effective as of January 31, 2018 is suitable for adoption. This will also maintain consistency with ISAK 16 as ISAK 16 also adopts International Financial Reporting Interpretations Committee 12 (IFRIC 12) – Service Concession Arrangements issued by the International Accounting Standard Board (IASB). However, there are differences that require adjustments to be applied in the preparation of central/local government financial statements such as regulations that do not allow reporting entitiesto present the effects of service concession arrangement in the year in which they first occur, and some emphasis on the explanation of phrases and nomenclature for harmonization in addressing their implementation into accounting policies and accounting systems.

BC 07 This Standard does not regulate the accounting treatment for operators that are business entities outside the central/local government entities. In many practices, operators are private sector business entities, in which case also state/local enterprises (BUMN/D) participate as operators to the government in the provision of public services. However, Government Accounting Standards are not intended for entities outside the central/local government, including an entity of separated central/local government assets such as BUMN/D, because its accounting principles are guided by the applicable Financial Accounting Standards. For transactions and events related to service concession arrangement, operators apply ISAK 16.

Recognition and Measurement of Service Concession Assets

BC 08 The accounting treatment of service concession assets after initial acquisition recognition or reclassification as in paragraph 12 of this Standard is given an explanatory paragraph as in paragraph 13 to emphasize that service concession assets are depreciated like the characteristics of assets that meet the definition of fixed assets or intangible assets. It is deemed necessary to provide an explanatory paragraph in connection with recurring questions from respondents and various discussions related to the treatment of depreciation of service concession assets on several occasions when the request for public hearings on this Standard was submitted to the public, both limited and general public.

BC 09 Paragraph 13 also responds to the practical problems that occur on the issue of measurement and depreciation of assets submitted by respondents in the hearing on this Standard that service concession assets can be formed from one or several types of asset groups as generally classify fixed assets when acquiring state/local property, so an explanation is needed that the service concession asset is a component of assets provided and used by operators for the provision of public services specified in the service concession arrangement.

BC 10 To respond to respondents at the hearing on this Standards related to the treatment of service concession assets at the end of the concession period and how to measure them, KSAP considers the need for a paragraph that regulates this matter as stipulated in paragraph 14. In paragraph 14, it also emphasizes that the fair value used at the end of the concession period for the transfer of assets by the operator to the grantor to become state / local property is the book value of assets derived from the reclassification of service concession assets, not intended to be reassessed in advance before delivery or a value specified in the agreement.

Grant of a Right to the Operator Model

BC 11 Paragraph 28 is considered necessary in connection with the practice that grantors and/or government entities other than grantors provide payments to operators for the use of service concession assets to obtain services from these assets that benefit third parties or the public in general. Paragraph 28 is intended to emphasize and at the same time differentiate from financial liability schemes that payments made by grantors are solely in return for access to or use of service concession assets and not as a reduction from liabilities that seem to be treated as equal to payments made by grantors in financial liability schemes.

Transition

BC 12 In practice, prior to the enactment of this Standard, government entities did not recognize and record service concession assets and related liabilities, except to reclassify fixed assets to partnership assets, if any, as stipulated in SGAS 01 in accordance with the book value of the acquisition cost. The first–time application of this Standard to a service concession arrangement that has been ongoing before, it is necessary to provide guidance on retrospective application to be able to continue the value of the acquisition cost of the service concession asset component starting from the initial acquisition of the first transaction period that complies with this Standard along with the accumulated depreciation or amortization.

BC 13 In the discussion, it was realized and raised for a situation where retrospective application of past information related to the acquisition cost of the service concession asset component is not practical, and considered regulating prospective application. However, the application of both together was considered to cause non–uniformity among government entities consolidated in the government reporting entity and not comparable. In addition, service concession arrangements are generally related to long–term agreements or engagements so that the information required to support the fair value and cost information of service concession assets is considered available.

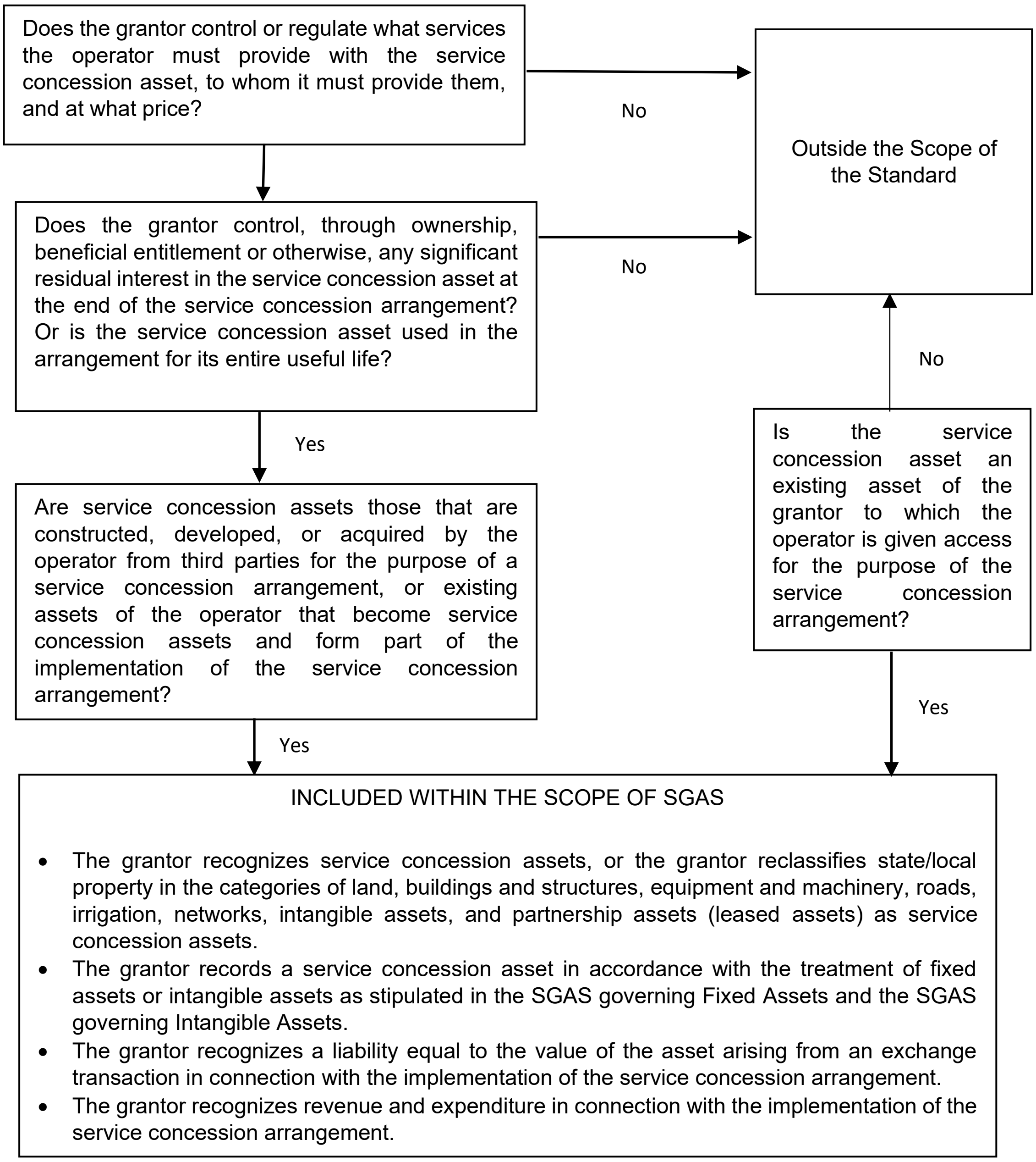
Implementation Guide

(This Implementation Guide accompanies Service Concession arrangement SGAS, but is not part of SGAS)

IG 01 The purpose of this Implementation Guide is to illustrate certain aspects of the requirements of SGAS 16.

Accounting Framework for Service Concession Arrangements

IG 02 The diagram below summarizes the accounting for service concession arrangements established by SGAS 16.



References to SGAS that Apply to Typical Types of Government Arrangements with Business Entities

IG 3 This table illustrates the nature of the types of arrangement between private sector entity and government public entity, and provides SGAS references for such arrangements. The term for this type of arrangement is general in nature. The purpose of this table is to show the range of different characteristics that govern government arrangement with business entities. SGAS XX is not intended to convey the impression that there is a clear separation between the accounting requirements for the various arrangements of government with business entities.

<table>
<tr><th>Category</th><th>Lessee</th><th colspan="3">Service provider</th><th colspan="2">Owner</th></tr>
<tr><td>Typical arrangement types</td><td>Lease (e.g., operator leases asset from grantor)</td><td>Service and/or maintenance contract (specific tasks e.g., debt collection)</td><td>Rehabilitate–operate–transfer</td><td>Build–operate–transfer</td><td>Build–own–operate</td><td>Divestment/Privatization/Corporation 100%</td></tr>
<tr><td>Asset ownership</td><td colspan="4">Operator</td><td colspan="2">No → Operator</td></tr>
<tr><td>Capital investment</td><td colspan="2">Grantor</td><td colspan="4">Operator</td></tr>
<tr><td>Demand risk</td><td>Shared</td><td>Grantor</td><td colspan="2">Grantor and/or Operator</td><td colspan="2">Operator</td></tr>
<tr><td>Duration</td><td>8-20 years</td><td>1-5 ‥</td><td colspan="3">25 - 30 years</td><td>Indefinite (or may be limited by binding arrangemen t or license)</td></tr>
<tr><td>Residual interest</td><td colspan="4">Grantor</td><td colspan="2">Operator</td></tr>
<tr><td>Relevant SGAS</td><td>SGAS Lease</td><td>SGAS Exchange Revenue</td><td colspan="2">This SGAS/SGAS 07/ SGAS 14</td><td colspan="2">SGAS 07/SGAS 14 (derecognition)
PSAP 06</td></tr>
</table>

Illustrative Example

(*These examples accompany Service Concession arrangement SGAS, but are not part of SGAS*)

IE 01 Their purpose is to illustrate the accounting treatment for some features that are commonly found in practice. These examples deal with three of many possible types of service concession arrangements that may exist in practice, and adding 1 (one) illustrative example of accounting treatment for the initial application of this SGAS and 1 (one) illustrative example of accounting treatment when the concession period ends.

IE 02 To make the 3 (three) illustrations as clear as possible, it has been assumed that the term of the service concession arrangement is only 10 (ten) years and that the operator's annual receipts are constant over that period. In practice, terms may be much longer and annual revenues may increase with time.

IE 03 The following provisions are common to all 3 (three) of the first illustrative example:

(a) Operators are required to construct the road with completion within two years, and then maintain and operate it according to set technical standards for eight years (i.e. years 3–10).

(b) Operators are also required to resurface the road if the Original Surface Layer has worn below the specified technical standards. The operator estimates that the road resurfacing will take place at the end of year 8 with a fair value of Rp110.

(c) The compensation given to operators for the provision of this public service is:

  i. A series of specified payments; and/or

  ii. Operator's income derived from the right to receive revenue from service concession assets or revenue from other assets provided by the grantor to the operator.

(d) The grantor provides assets in the form of land on which road construction can be built by operators in the context of implementing the provision of public services. The acquisition value recorded in the state/local property which is presented as fixed assets in the Statement of Financial Position before the transfer amounted to Rp210.

(e) It is assumed that the original road surface is a separate component of the service concession asset and meets the criteria for recognition specified in SGAS governing Fixed Asset when the service concession asset is initially recognized. It is also assumed that there is sufficient certainty regarding the timing and amount for road resurfacing, so that it can be recognized as a separate component when the resurfacing in question occurs. However, it is only different if there is insufficient certainty regarding the timing and amount, for example, if the operator is likely to road resurfacing in the future but this has not been confirmed, or if there is a possibility of additional maintenance repairs during the concession period, then this cannot be recognized as a separate component. Furthermore, it is assumed that the estimated cost of road resurfacing can be used to estimate the initial acquisition cost of the road surface layer recognized as a separate component of the service concession asset. Accordingly, the road resurfacing is recognized as a separate component of the fair value of the initial acquisition of the service concession asset and measured at the estimated fair value of the road resurfacing and depreciated over years 3 to 8. The depreciation period for the road resurfacing is shorter than the depreciation period for the road base construction i.e. the road resurfacing is accounted for over six years instead of 25 years. During the construction phase, it is assumed that only base layers are carried out in year 1, and the road is ready for use at the end of year 2.

(f) Recognition of the replacement component of the road surface as a separate component of the service concession asset in year 8 also results in an increase in the liability recognized by the grantor. Where the liability relates to the grant of a right to the operator model, additional revenue in respect of this increase is recognized evenly over the term of the arrangement. However, if the expenditure represented an improvement in service potential such as a new traffic lane rather than restoration to original service capability then it would be appropriate to instead recognize revenue relevant to that improvement only once it has occurred.

(g) At the beginning of year 3, the total fair value of the road is Rp1.082, comprised of Rp110 related to the construction of the base layers and Rp972 related to construction of the surface layers. The fair value of the surface layers is used to estimate the fair value of the road resurfacing (which is treated as a replacement component in accordance with SGAS governing Intangible Assets). The estimated life of surface layers (i.e., six years) is also used to estimate the depreciation of the replacement component in years 9 and 10.

(h) The road base has an economic life of 25 years. Annual depreciation is taken by the grantor on a straight-line basis. It is therefore Rp39 (Rp972/25) for the base layers. The surface layers are depreciated over 6 years (years 3–8 for the original component, and starting in year 9 for the replacement component). Annual depreciation related to the surface layers is Rp18 (Rp110/6).

(i) The rate implicit in the service concession arrangement specific to the asset is 6.18%.

(j) It is assumed that all cash flows take place at the end of the year.

(k) It is assumed that the time value of money is not significant. Paragraph AG59 provides guidance on methods that may be appropriate where the time value of money is significant.

(l) At the end of year 10, the arrangement will end. At the end of the arrangement, the operator will transfer the operation of the road to the grantor.

(m) The total compensation to the operator under each of the three examples is inclusive of each of the components of the service concession arrangement and reflects the fair values for each of the services, which are set out in Table 1.

Table 1.

Fair Values of the Components of the Arrangement (Currency Units)

Arrangement Component	Fair Value
Road – Base Layers (substructure)	Rp 972
Road – Original Surface Layer	Rp 110
Total FV of Road	Rp 1.082

Annual Service Component	Rp 12
Effective Interest Rate	6,18%

Example 1: The Grantor makes a Predetermined Series of Payments to the Operator

Additional Terms

IE 04 The terms of the arrangement require the grantor to pay the operator Rp200 per year in years 3–10 for making the road available to the public. The total consideration (payment of Rp200 in each of years 3–10) reflects the fair values for each of the services indicated in Table 1. These payments are intended to cover the cost of constructing the road, annual operating costs of Rp12 and reimbursement to the operator for the cost of resurfacing the road in year 8 of Rp110.

Financial Statement Impact

IE 05 The grantor initially measures the service concession asset as property, plant, and equipment at its fair value (total Rp1,082, comprised of Rp940 related to construction of the base layers, Rp110 related to construction of the original surface layer). The asset is recognized as it is constructed (Rp525 in year 1 and Rp525 in year 2 and and financial costs related to base layers construction costs in the first year amounting to Rp32). The service concession asset is recognized at the time of construction with details of Rp525 in year 1 of construction and Rp557 in year 2 of construction. Depreciation is taken annually (Rp56, comprised of Rp39 (Rp972/25) for the base layers and Rp18 (Rp110/6) for the surface layers), starting from year 3 when road service is available and operating.

IE 06 The grantor initially recognizes a financial liability at fair value equal to the fair value of the asset under construction at the end of year 1 (Rp525). The liability is increased at the end of year 2 to reflect both the fair value of the additional construction (Rp525) and the finance charge (Rp32) on the outstanding financial liability. Because the amount of the predetermined payment related to the service component of the service concession arrangement is known, the grantor is able to determine the amount of the payment that reduces the liability. A finance charge at the implicit rate of 6.18% is recognized annually. The financial liabilities are subsequently measured at amortized cost, being the total of the initial acquisition value recognized plus finance charge on the amount calculated using the effective interest method minus of repayments. The initial value of the financial liability does not include the operational cost component of providing annual services of Rp12 and does not include compensation for the resurfacing construction asset component, this is because the two components are binding arrangements in the agreement that have not yet been implemented.

IE 07 The compensation for the resurfacing is included in the predetermined series of payments. There is no direct cash flow impact related to the resurfacing; however, the grantor recognizes the resurfacing as an asset when the work is undertaken and recognizes depreciation expense of Rp110/6 = Rp18, beginning in year 9. The grantor also recognizes a financial liability at the time the resurfacing is performed.

IE 08 The compensation for maintenance and operating the road (Rp12) is included in the predetermined series of payments. There is no cash flow impact related to this service expense; however, the grantor recognizes an expense annually.

IE 09 Capital or construction costs incurred by the operator as one component of the fair value calculation at the initial acquisition of the service concession asset component recognition may not be practical to calculate, as well as for costs incurred by the operator in its efforts to maintain and operate the road in the context of providing the service component. In general, the calculation of the fair value of the asset and service components in the service concession arrangement as shown in Table 1 can be illustrated as follows:

Components of Compensation	Fair Value Compensation		
Road – Base layer Year 1	Construction costs incurred by operators Rp500	+ 5%	Rp525
Finance Costs for Construction at Effective Interest Rate	Financial financing for Road – Base layer Year 1 amounting to Rp525 billed in year 2	6,18%	Rp32
Road – Base layer Construction Year 2	Construction costs incurred by operators Rp400	+ 3,75%	Rp415
			Rp972
Road – Original Surface Layer Year 2	Construction cost incurred by operators Rp100	+ 10%	Rp110
	Fair value of initial acquisition of service concession assets		**Rp1.082**
Public Service per Year	Estimated costs incurred by operators Rp10	+ 20%	**Rp12**
Road – Replacement Surface Layer Year 8	Construction cost incurred by operators Rp100	+ 10%	**Rp110**

IE 10 The accounting treatment of service fees is in accordance with the SGAS governing the Presentation of Financial Statement.

Overview of Journal Entry, Cash Flow, Statement of Operations, and Statement of Financial Position

IE 11 An illustrative example of a Journal Entry to recognize the initial acquisition of service concession assets and liabilities when built with details of Rp525 in year 1 of the construction period (base layer) and Rp557 in year 2 of the final construction period (consisting of base layer of Rp447 (including finance costs capitalized to the value of base layer at an implicit interest rate of 6.18% charged in year 2 of Rp32 (Rp525 x 6.18%)) and Original Surface Layer of Rp110) is as follows:

Year		1	2	3	4	5	6	7	8	9	10	Total
Db	Service Concession Asset – base layers – Nrc	525	447	–	–	–	–	–	–	–	–	972
Db	Service Concession Asset – Original Surface Layer – Nrc	–	110	–	–	–	–	–	–	–	–	110
Kr	Financial Liabilities – Nrc	(525)	(557)	–	–	–	–	–	–	–	–	(1.082)

IE 12 An illustrative example of a journal entry for the reclassification of state/local property in the form of land that is presented as fixed assets in accordance with SGAS governing Fixed Assets to service concession assets:

Year	1	2	3	4	5	6	7	8	9	10	Total

Db	Service Concession Asset – Land (Grantor) – Nrc	210	–	–	–	–	–	–	–	–	–	210
Kr	Fixed Assets – Land – Nrc	(210)	–	–	–	–	–	–	–	–	–	(210)

IE 13 An illustrative example of a Journal Entry when the grantor makes payments to the operator of Rp200 per year from year 3 to year 10 intended to compensate for road construction costs, annual operating costs of Rp12, and resurfacing construction replacement costs in year 8 of Rp110, is as follows:

Year		1	2	3	4	5	6	7	8	9	10	Total
Db	Financial Liabilities – Nrc	–	–	121	129	137	145	154	163	166	177	1.192
Db	Cost of Service – LO	–	–	12	12	12	12	12	12	12	12	96
Db	Finance Cost Expense – LO	–	–	67	59	51	43	34	25	22	11	312
Kr	Cash – Nrc	–	–	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(1.600)

IE 14 An illustrative example of a journal adjustment for the calculation of annual depreciation of an asset on a straight-line basis with details of base layer depreciation of Rp39 (Rp972/25 years of the asset's useful life) and Original Surface Layer construction depreciation of Rp18 (Rp110/6 years of the asset's useful life), and this depreciation starts from year 3 when the road service is available for operation is as follows:

Year		1	2	3	4	5	6	7	8	9	10	Total
Db	Depreciation – Base Layer – LO	–	–	39	39	39	39	39	39	39	39	312
Kr	Accum. Construct. Service Concession Asset – Base Layer – Nrc	–	–	(39)	(39)	(39)	(39)	(39)	(39)	(39)	(39)	(312)
Db	Original Surface Layer Depreciation – LO	–	–	18	19	18	18	19	18	–	–	110
Kr	Accum. Depre. Service Concession Asset – Original Surface Layer – Nrc	–	–	(18)	(19)	(18)	(18)	(19)	(18)	–	–	(110)

IE 15 An illustrative example of a journal adjustment for derecognition of Service Concession Asset – Original Surface Layer amounting to Rp110 at the beginning of year 8 due to the end of the asset's useful life is as follows:

Year		1	2	3	4	5	6	7	8	9	10	Total
Db	Accum. Depre. Service Concession Asset – Original Surface Layer – Nrc	–	–	–	–	–	–	–	110	–	–	110
Kr	Service Concession Asset – Replacement Surface Layer – Nrc	–	–	–	–	–	–	–	(110)	–	–	(110)

IE 16 An illustrative example of a Journal Entry of the road surface replacement component as a separate component of the service concession asset in year 8 amounting to Rp110 and increasing the value of the service concession liability (financial liability) at the same time, is as follows:

Year		1	2	3	4	5	6	7	8	9	10	Total
Db	Service Concession Asset – Replacement Surface Layer – Nrc	–	–	–	–	–	–	–	110	–	–	110
Kr	Financial Liabilities – Nrc	–	–	–	–	–	–	–	(110)	–	–	(110)

IE 17 An illustrative example of a journal adjustment for the calculation of annual straight-line depreciation of a Replacement Surface Layer service concession asset whose acquisition was recognized at the end of year 8 with a useful life of 6 years at Rp18 (Rp110/6 years of the asset's useful life), is as follows:

Year		1	2	3	4	5	6	7	8	9	10	Total
Db	Depreciation – Replacement Surface Layer – LO	–	–	–	–	–	–	–	–	18	19	37
Kr	Accum. Depre. Service Concession Asset – Replacement Surface Layer – Nrc	–	–	–	–	–	–	–	–	(18)	(19)	(37)

IE 18 The grantor's cash flows, statement of operations, and Statement of Financial Position during the concession period are illustrated in Table 2, Table 3, and Table 4. In addition, Table 5 shows the mutation of changes in financial liabilities.

Table 2: Cash Flow (in Rupiah)

Year	1	2	3	4	5	6	7	8	9	10	Total
Payment	-	-	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(1.600)
Net inflow/outflow	-	-	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(1.600)

Table 3: Statement of Operations (in Rupiah)

Year	1	2	3	4	5	6	7	8	9	10	Total
Service Charge	–	–	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(96)
Finance Cost Expense	–	–	(67)	(59)	(51)	(43)	(34)	(25)	(22)	(11)	(312)
Depreciation – Base Layer	–	–	(39)	(39)	(39)	(39)	(39)	(39)	(39)	(39)	(312)
Original Surface Layer Depreciation	–	–	(18)	(19)	(18)	(18)	(19)	(18)	–	–	(110)
Depreciation – Replacement Surface Layer	–	–	–	–	–	–	–	–	(18)	(19)	(37)
Total Depreciation	–	–	(57)	(58)	(57)	(57)	(58)	(57)	(57)	(58)	(459)
Surplus / (Deficit) per year	–	–	(136)	(129)	(120)	(112)	(104)	(94)	(91)	(81)	(867)

Notes:

1. Depreciation in year 3 to year 8 reflects depreciation on the Original Surface Layer. Depreciation is fully carried over the period.
2. Depreciation in year 9 and year 10 reflects depreciation on the new service concession asset component (replacement surface layer) recognized in year 8.

1 **Table 4: Statement of Financial Position (in Rupiah)**

Year	0	1	2	3	4	5	6	7	8	9	10
Fixed Assets – Land	210	–	–	–	–	–	–	–	–	–	–
Service Concession Asset – Land (Grantor)	–	210	210	210	210	210	210	210	210	210	210
Service Concession Asset – Base Layer (from Operator)	–	525	972	933	894	855	816	777	738	699	660
Service Concession Asset – Original Surface Layer (from Operator)	–	–	110	92	73	55	37	18	–	–	–
Service Concession Asset – Replacement Surface Layer (from Operator)	–	–	–	–	–	–	–	–	110	92	73
Total Service Concession Assets (from Operators)	–	525	1.082	1.025	967	910	853	795	848	791	733
Cash	–	–	–	(200)	(400)	(600)	(800)	(1.000)	(1.200)	(1.400)	(1.600)
Service Concession Liability (Financial Liability)	–	(525)	(1.082)	(961)	(832)	(695)	(550)	(396)	(343)	(177)	–
Accumulated Surplus / (Deficit)	–	–	–	(136)	(265)	(385)	(497)	(601)	(695)	(786)	(867)

Notes:

1. In this illustrative example, the resurfacing is carried out according to the planned schedule at year 8 when the Original Surface Layer is fully depreciated. If the resurfacing occurs ahead of schedule, the original surface layer will not be fully depreciated and will need to be derecognized in accordance with the SGAS governing fixed assets before the new component of the service concession asset related to the resurfacing is recognized.
2. The new component of the service concession asset related to the resurfacing is recognized in year 8. Depreciation on this new component is taken in year 9 and year 10 as illustrated in Table 3.
3. Financial liabilities increased in year 8 for the recognition of the new component of the service concession asset.

2 **Table 5: Changes in Financial Liabilities (in Rupiah)**

Year	1	2	3	4	5	6	7	8	9	10
Beginning Balance	–	525	1,082	961	832	695	550	396	343	177
Financial liabilities recognized upon initial recognition of service concession assets	525	525	–	–	–	–	–	–	–	–

Year	1	2	3	4	5	6	7	8	9	10
Beginning Balance	–	525	1,082	961	832	695	550	396	343	177
Finance charges are added to financial liabilities before payment is made	–	32	–	–	–	–	–	–	–	–
Part of a series of payments that reduces a financial liability	–	–	(121)	(129)	(137)	(145)	(154)	(163)	(166)	(177)
Financial liability recognized upon recognition of Replacement Surface Layer	–	–	–	–	–	–	–	110	–	–
Ending Balance	525	1.082	961	832	695	550	396	343	177	–

<u>Example 2:</u> The Grantor Gives the Operator the Right to Charge Users a Toll for Use of the Road

Additional Arrangement Terms

IE 19 The terms of the arrangement allow the operator to collect tolls from drivers using the road. The operator forecasts that vehicle numbers will remain constant over the duration of the arrangement and that it will receive tolls of Rp200 in each of years 3–10. The total consideration of Rp1,600 (tolls of Rp200 in each of years 3–10) reflects the fair values for each of the services indicated in Table 1, and is intended to cover the cost of constructing the road, annual operating costs of Rp12 and reimbursement to the operator for the cost of resurfacing in year 8 of Rp110.

Financial Statement Impact

IE 20 The grantor initially recognizes the service concession asset as property, plant, and equipment at its fair value (total Rp1,082, comprised of Rp940 related to construction of the base layers and Rp110 related to construction of the original surface layer). The asset is recognized as it is constructed (Rp525 in year 1 and Rp525 in year 2). Depreciation is taken annually (Rp57, comprised of Rp39 (Rp972/25) for the base layers and Rp18 (Rp110/6) for the surface layers, starting in year 3).

IE 21 As consideration for the service concession asset, the grantor recognizes a liability under the grant of a right to the operator model for granting the operator the right to collect tolls of Rp200 in years 3–10. The liability is recognized as the asset is recognized.

IE 22 The liability is reduced over years 3–10, and the grantor recognizes revenue on that basis because access to the service concession asset is expected to be provided evenly over the term of the service concession arrangement from the point at which the asset is capable of providing economic benefits.

IE 23 The compensation for the road resurfacing is included in the tolls the operator expects to earn over the term of the service concession arrangement. There is no direct cash flow impact related to the road resurfacing; however, the grantor recognizes the resurfacing as an asset when the work is undertaken and recognizes depreciation expense of Rp110/6 = Rp18, beginning in year 9.

IE 24 The compensation for maintenance and operating the road (Rp12) is included in the tolls the operator expects to earn over the term of the service concession arrangement. There is no financial statement impact related to this service expense. It does not affect cash flow because the grantor has no cash outflow. It is not recognized as an operating expense because the fair value of the asset and liability initially recognized do not include any service costs the operator may incur.

IE 25 Capital or construction costs incurred by the operator as one component of the fair value calculation at the initial acquisition of the service concession asset component recognition may not be practical to calculate, as well as for the costs incurred by the operator in its efforts to maintain and operate the road in the context of providing the service component. In general, the calculation of the fair value of the asset and service components in the service concession arrangement as shown in Table 1, can be illustrated as follows:

Components of Compensation	**Fair Value Compensation**		
Road – Base layer Year 1	Construction costs incurred by operators Rp500	+ 5%	Rp525
Finance Costs for Construction at Effective Interest Rate	Financial financing for Road – Base layer Year 1 amounting to Rp525 billed in year 2	6,18%	Rp32
Road – Base layer Year 2	Construction costs incurred by operators Rp400	+ 3,75%	Rp415
			Rp972
Road – Original Surface Layer Year 2	Construction cost incurred by operators Rp100	+ 10%	Rp110
	Fair value of initial acquisition of service concession assets		**Rp1.082**
Public Service per Year	Estimated costs incurred by operators Rp10	+ 20%	**Rp12**
Road – Replacement Surface Layer Year 8	Construction cost incurred by operator Rp100	+ 10%	**Rp110**

Overview of Journal Entry, Cash Flow, Statement of Operations, and Statement of Financial Position

IE 26 An illustrative example of a Journal Entry to recognize the initial acquisition of service concession assets and liabilities when built with details of Rp525 in year 1 of the construction period (base layers) and Rp557 in year 2 of the final construction period (base layer of Rp447 (including finance costs capitalized to the value of Base layer at an implicit interest rate of 6.18% charged in year 2 of Rp32 (Rp525 x 6.18%)) and Original Surface Layer of Rp110) is as follows:

Year		**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**Total**
Db	Service Concession Asset – Base Layer – Nrc	525	447	–	–	–	–	–	–	–	–	972
Db	Service Concession Asset – Original Surface Layer – Nrc	–	110	–	–	–	–	–	–	–	–	110
Kr	Liabilities – Deferred revenue – Nrc	(525)	(557)	–	–	–	–	–	–	–	–	(1.082)

IE 27 An illustrative example of a journal entry for the reclassification of state/local property in the form of land that is presented as fixed assets in accordance with SGAS governing Fixed Assets to service concession assets at its carrying value of Rp210 in year 1 of the construction period, is as follows:

Year		1	2	3	4	5	6	7	8	9	10	Total
Db	Service Concession Asset – Land – Nrc	210	–	–	–	–	–	–	–	–	–	210
Kr	Fixed Assets – Land – Nrc	(210)	–	–	–	–	–	–	–	–	–	(210)

IE 28 An illustrative example of a straight-line amortization/reduction of liability (deferred revenue) adjustment entry for revenue recognition of Rp135 (Rp1,082/8 years of concession period) in each year from year 3 to year 10 and increasing in value by Rp190 (Rp135 + (Rp110/2 years remaining of concession period)) in connection resurfacing in year 8, is as follows:

Year		1	2	3	4	5	6	7	8	9	10	Total
Db	Liability – Deferred Revenue – Nrc	–	–	135	135	135	136	135	135	190	191	1.192
Kr	Revenue – LO	–	–	(135)	(135)	(135)	(136)	(135)	(135)	(190)	(191)	(1.192)

IE 29 An illustrative example of a journal adjustment for the calculation of annual depreciation of an asset on a straight-line basis with details of Base layer depreciation of Rp39 (Rp972/25 years of the asset's useful life) and Original Surface Layer depreciation of Rp18 (Rp110/6 years of the asset's useful life), and this depreciation starts from year 3 when the road service is available for operation is as follows:

Year		1	2	3	4	5	6	7	8	9	10	Total
Db	Depreciation – Base layer – LO	–	–	39	39	39	39	39	39	39	39	312
Kr	Accum. Depreciation of Service Concession Assets – Base layer – Nrc	–	–	(39)	(39)	(39)	(39)	(39)	(39)	(39)	(39)	(312)
Db	Original Surface Layer Depreciation – LO	–	–	18	19	18	18	19	18	–	–	110
Kr	Accum. Depreciation of Service Concession Assets – Original Surface Layer – Nrc	–	–	(18)	(19)	(18)	(18)	(19)	(18)	–	–	(110)

IE 30 An illustrative example of a journal adjustment for derecognition of Service Concession Asset – Original Surface Layer amounting to Rp110 at the beginning of year 8 due to the expiration of the useful life of the asset is as follows:

Year		1	2	3	4	5	6	7	8	9	10	Total
Db	Accum. Depre. Service Concession Asset – Original Surface Layer – Nrc	–	–	–	–	–	–	–	110	–	–	110
Kr	Service Concession Asset – Replacement Surface Layer – Nrc	–	–	–	–	–	–	–	(110)	–	–	(110)

IE 31 An illustrative example of a journal of the replacement component of the road surface as a separate component of the service concession asset amounting to Rp110 in year 8 and increasing the value of the service concession liability (Deferred revenue) at the same time, is as follows:

Year		1	2	3	4	5	6	7	8	9	10	Total
Db	Service Concession Asset – Replacement Surface Layer – Nrc	–	–	–	–	–	–	–	110	–	–	110
Kr	Liabilities – Deferred revenue – Nrc	–	–	–	–	–	–	–	(110)	–	–	(110)

IE 32 An illustrative example of a journal adjustment for the calculation of annual straight-line depreciation of a Replacement Surface Layer service concession asset whose acquisition recognition at the end of year 8 amounted to Rp18 (110/6 years of the asset's useful life), is as follows:

Year		1	2	3	4	5	6	7	8	9	10	Total
Db	Depreciation – replacement surface layer – LO	–	–	–	–	–	–	–	–	18	19	37
Kr	Accum. Depre. Service Concession Asset – Replacement Surface Layer – Nrc	–	–	–	–	–	–	–	–	(18)	(19)	(37)

IE 33 The grantor's cash flows, statement of operations, and Statement of Financial Position during the concession period are illustrated in Table 6 and Table 7. In addition, Table 8 shows the mutation of changes in liabilities (Deferred revenue).

Cash flow

IE 34 As no payment is made to the operator, there is no cash flow recording and presentation for this illustrative example 2.

Table 6: Statement of Operations (in Rupiah)

Year	1	2	3	4	5	6	7	8	9	10	Total
Income (reduction of liabilities – Deferred revenue)	–	–	135	135	135	136	135	135	190	191	1.192
Depreciation – Base Layer	–	–	(39)	(39)	(39)	(39)	(39)	(39)	(39)	(39)	(312)
Original Surface Layer Depreciation	–	–	(18)	(19)	(18)	(18)	(19)	(18)	–	–	(110)
Depreciation – replacement surface layer	–	–	–	–	–	–	–	–	(18)	(19)	(37)
Total Depreciation	–	–	(57)	(58)	(57)	(57)	(58)	(57)	(57)	(58)	(459)
LO Surplus/ (Deficit)	–	–	78	77	78	79	77	78	133	133	733

Notes:

1. The depreciation of year 3 to year 8 reflects the depreciation on the Original Surface Layer. Depreciation is fully carried out during the period.
2. Depreciation in year 9 and year 10 reflects depreciation on the new service concession asset component (replacement surface layer) recognized in year 8.
3. The Revenue Value (reduction in liabilities – deferred revenue) includes the calculation of revenue from the additional liabilities derived from the replacement surface layer (Table 7).
4. The Revenue Value (reduction in liabilities – deferred revenue) includes the calculation of revenue from the additional liabilities derived from the replacement surface layer (Table 7).

Table 7: Statement of Financial Position (in Rupiah)

Year	0	1	2	3	4	5	6	7	8	9	10
Fixed Assets – Land	210	–	–	–	–	–	–	–	–	–	–
Service Concession Asset – Land (grantor)	–	210	210	210	210	210	210	210	210	210	210
Service Concession Asset – Base Layer (from operator)	–	525	972	933	894	855	816	777	738	699	660

Service Concession Asset – Original Surface Layer (from operator)	–	–	110	92	73	55	37	18	–	–	–
Service Concession Asset – Replacement Surface Layer (from operator)	–	–	–	–	–	–	–	–	110	92	73
Total Service Concession Assets (from operators)	–	525	1.082	1.025	967	910	853	795	848	791	733
Kas	–	–	–	–	–	–	–	–	–	–	–
Service Concession Liability (Deferred revenue)	–	(525)	(1.082)	(947)	(812)	(677)	(541)	(406)	(381)	(191)	–
Akumulasi Surplus / (Defisit)	–	–	–	78	155	233	312	389	467	600	733

Notes:

1. In this illustrative example, the resurfacing is carried out according to the planned schedule at year 8 when the Original Surface Layer has been fully depreciated. If the resurfacing occurs ahead of schedule, then the original surface layer has not been fully depreciated, and needs to be derecognized in accordance with the SGAS governing Fixed Assets before the new component of the service concession asset related to the resurfacing is recognized.
2. The new component of the service concession asset related to the resurfacing is recognized in year 8. Depreciation on this new component is taken in year 9 and year 10 as illustrated in Table 6.
3. The liability (Deferred revenue) increases in year 8 for the recognition of the new component of the service concession asset.

Table 8: Mutation of Changes in Liabilities – Deferred revenue (in Rupiah)

Year	1	2	3	4	5	6	7	8	9	10
Beginning Balance	–	525	1.082	947	812	677	541	406	381	191
Liability (deferred revenue) recognized upon recognition of initial service concession asset	525	525	–	–	–	–	–	–	–	–
Finance charge added/capitalized to asset construction	–	32	–	–	–	–	–	–	–	–
Income (reduction of liabilities– Deferred revenue)	–	–	(135)	(135)	(135)	(136)	(135)	(135)	(190)	(191)
Liability (Deferred revenue) recognized upon recognition of replacement surface layer	–	–	–	–	–	–	–	110	–	–
Ending Balance	525	1.082	947	812	677	541	406	381	191	–

<u>Example 3:</u> The Grantor Makes a Predetermined Series of Payments to the Operator and Also Grants the Operator the Right to Charge Users a Toll for Use of the Road

Additional Arrangement Terms

IE 35 The terms of the arrangement allow the operator to collect tolls from drivers using the road. The operator forecasts that vehicle numbers will remain constant over the duration of the arrangement and that it will receive tolls of Rp100 in each of years 3–10. The arrangement also requires the grantor to make a predetermined series of payments to the operator of Rp100 annually. The fair value of the right to collect tolls and the predetermined series of payments are considered to compensate the operator equally (i.e., 50% from each form of compensation to the operator).

Financial Statement Impact

IE 36 The grantor initially recognizes the service concession asset as property, plant, and equipment at its fair value (total Rp1,082, comprised of Rp940 related to construction of the base layers and Rp110 related to construction of the original surface layer). The asset is recognized as it is constructed (Rp525 in year 1 and Rp525 in year 2). Depreciation is taken annually amounting to (Rp57, comprised of Rp39 (Rp972/25) for the base layers and Rp18 (Rp110/6)for the surface layers).

IE 37 As consideration for the service concession asset, the grantor recognizes both a liability under the grant of a right to the operator model by granting the operator the right to collect tolls of CRp100 in years 3–10, and a financial liability to make payments of Rp100 in years 3–10. A liability and a financial liability are recognized as the asset is recognized at the end of year 1 (Rp525). The liability and financial liability are increased at the end of year 2 to reflect both the fair value of the additional construction (Rp525) and the finance charge on the outstanding financial liability.

IE 38 The grantor's obligation related to the right granted to the operator to charge tolls and the predetermined payments are regarded as two separate items. Therefore in this arrangement it is necessary to divide the grantor's consideration to the operator into two parts—a liability and a financial liability.

IE 39 The liability of Rp525 (recognized evenly at the end of years 1 and 2) is reduced over years 3–10, and the grantor recognizes revenue on the same basis because the tolls are expected to be earned evenly over the term of the service concession arrangement from the point at which the asset is capable of providing service benefits.

IE 40 The grantor initially recognizes a financial liability at fair value equal to half of the fair value of the asset (Rp525), recognized evenly at the end of years 1 and 2; a liability under the grant of a right to the operator model is recognized in an amount equal to the other half of the fair value of the asset. The financial liability is also increased at the end of year 2 by the finance charge on the outstanding financial liability.

IE 41 Because the amount of the predetermined payments related to the service component of the service concession arrangement is known, the grantor is able to determine the amount of the payments that reduces the liability. A finance charge at the implicit rate of 6.18% is recognized annually. The liability is subsequently measured at amortized cost, i.e., the amount initially recognized plus the finance charge on that amount calculated using the effective interest method minus repayments.

IE 42 The operator is compensated for the resurfacing (Rp110) equally through the tolls the operator expects to earn over the term of the service concession arrangement and the series of predetermined payments (i.e., 50% from each). There is no direct cash flow impact related to the resurfacing; however, the grantor recognizes the resurfacing as an asset when the work is undertaken and recognizes depreciation expense of Rp110/6 = Rp18, beginning in year 9.

IE 43 Compensation for road maintenance and operation amounting to Rp12 is included in the toll collection rate expected to be earned by the operator during the service concession arrangement period. There is no impact on the financial statements of the cost of providing this public service. There is no impact on cash flow as the grantor does not make any cash expenditure. This event is not recognized as an operating expense because the initial recognition of assets and liabilities (deferred revenue) does not include items related to the cost of public services provided by the operator.

IE 44 The operator is compensated for maintenance and operating the road (Rp12) equally through the tolls the operator expects to earn over the term of the service concession arrangement and the predetermined payment (i.e., 50% from each). There is no direct cash flow impact related to this service expense because the grantor has no cash outflow. However, the grantor recognizes an expense annually for the portion of the compensation related to the series of predetermined payments (Rp6). There is no financial statement impact for the remaining Rp6 of this service expense. It is not recognized as an operating expense because the fair value of the asset and liability initially recognized do not include any service costs the operator may incur.

IE 45 Capital or construction costs incurred by the operator as one component of the fair value calculation at the initial acquisition of the service concession asset component recognition may not be practical to calculate, as well as for costs incurred by the operator in its efforts to maintain and operate the road in the context of providing the service component. In general, the calculation of the fair value of the asset and service components in the service concession arrangement as shown in Table 1, can be illustrated as follows:

Components of Compensation	**Fair Value Compensation**		
Road – Base layer Year 1	Construction costs incurred by operators Rp500	+ 5%	Rp525
Finance Costs for Construction at Effective Interest Rate	Financial financing for Road – Base layer Year 1 amounting to Rp525 billed in year 2	6,18%	Rp32
Road – Base layer Year 2	Construction costs incurred by operators Rp400	+ 3,75%	Rp415
			Rp972
Road – Year 2 Original Surface Layer Construction	Construction cost incurred by operator Rp100	+ 10%	Rp110
	Fair value of initial acquisition of service concession assets		**Rp1.082**
Public Service per Year	Estimated costs incurred by operators Rp10	+ 20%	**Rp12**
Road – Year 8 Surface Layer Replacement Construction	Construction cost incurred by operator Rp100	+ 10%	**Rp110**

Overview of Journal Entry, Cash Flow, Statement of Operations, and Statement of Financial Position

IE 46 An illustrative example of a Journal Entry to recognize the initial acquisition of service concession assets and liabilities when built with details of Rp525 in year 1 of the construction period (Base layer) and Rp557 in year 2 of the final construction period (consisting of Base layer of Rp447 (including finance costs capitalized to the value of Base layer at an implicit interest rate of 6,18% charged in year 2 amounting to Rp32 (Rp525 x 6.18%)) and Original Surface Layer amounting to Rp110), as well as finance costs at an implicit interest rate of 6.18% charged in year 2 amounting to Rp32 (Rp525 x 6.18%), and the distribution of compensation schemes in the form of financial obligations and the granting of business rights at 50% of the initial acquisition value of the service concession assets, are as follows:

Year		1	2	3	4	5	6	7	8	9	10	Total
Db	Service Concession Asset – Base Layer – Nrc	525	447	–	–	–	–	–	–	–	–	972
Db	Service Concession Asset – Original Surface Layer – Nrc	–	110	–	–	–	–	–	–	–	–	110
Kr	Financial Liabilities – Nrc	(263)	(262)	–	–	–	–	–	–	–	–	(541)
Kr	Liabilities – Deferred revenue – Nrc	(262)	(263)									(541)

IE 47 An illustrative example of a journal entry for the reclassification of state/local property in the form of land that is presented as fixed assets in accordance with SGAS governing Fixed Assets to service concession assets at its carrying value of Rp210 in year 1 of the construction period, is as follows:

Year		1	2	3	4	5	6	7	8	9	10	Total
Db	Service Concession Asset – Land – Nrc	210	–	–	–	–	–	–	–	–	–	210
Kr	Fixed Assets – Land – Nrc	(210)	–	–	–	–	–	–	–	–	–	(210)

IE 48 An illustrative example of a Journal Entry when the grantor makes payments to the operator of Rp100 per year from year 3 to year 10 intended to reimburse road construction costs, annual operating costs of Rp12, and the cost of replacement surface layer consruction in year 8 of Rp110, is as follows:

Year		1	2	3	4	5	6	7	8	9	10	Total
Db	Financial Liabilities – Nrc	–	–	61	64	68	72	77	82	83	89	596
Db	Cost of Service – LO	–	–	6	6	6	6	6	6	6	6	48
Db	Finance Cost Expense – LO	–	–	33	30	26	22	17	12	11	5	156
Kr	Cash – Nrc	–	–	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(800)

IE 49 An illustrative example of a straight-line amortization/reduction of liability (deferred revenue) journal adjustment for revenue recognition of Rp68 (Rp541/8 years of the concession period) in each year from year 3 to year 10 and an increase in value of Rp96 (Rp68 + (Rp55/2 years of the remaining concession period)) in connection with the resurfacing in year 8, is as follows:

Year		1	2	3	4	5	6	7	8	9	10	Total
Db	Liabilities – Deferred revenue – Nrc	–	–	68	67	68	67	68	67	96	95	596
Kr	Revenue – LO	–	–	(68)	(67)	(68)	(67)	(68)	(67)	(96)	(95)	(596)

IE 50 An illustrative example of a journal adjustment for the calculation of annual depreciation of an asset on a straight-line basis with details of base layer depreciation of Rp39 (Rp972/25 years of the asset's useful life) and Original Surface Layer depreciation of Rp18 (Rp110/6 years of the asset's useful life), and this depreciation starts from year 3 when the road service is available for operation is as follows:

Year		1	2	3	4	5	6	7	8	9	10	Total
Db	Depreciation – Base Layer – LO	–	–	39	39	39	39	39	39	39	39	312
Kr	Accum. Depreciation of Service Concession Assets – Base Layer – Nrc	–	–	(39)	(39)	(39)	(39)	(39)	(39)	(39)	(39)	(312)
Db	Original Surface Layer Depreciation – LO	–	–	18	19	18	18	19	18	–	–	110
Kr	Accum. Depreciation of Service Concession Assets – Original Surface Layer – Nrc	–	–	(18)	(19)	(18)	(18)	(19)	(18)	–	–	(110)

IE 51 An illustrative example of a journal adjustment for derecognition of Service Concession Asset – Original Surface Layer amounting to Rp110 at the beginning of year 8 due to the expiration of the useful life of the asset, is as follows:

Year		1	2	3	4	5	6	7	8	9	10	Total
Db	Accum. depre. Service Concession Asset – Original Surface Layer – Nrc	–	–	–	–	–	–	–	110	–	–	110
	Service Concession Asset – replacement surface layer – Nrc	–	–	–	–	–	–	–	(110)	–	–	(110)

IE 52 An illustrative example of a Journal Entry for the replacement surface layer component as a separate component of the service concession asset in year 8 and increasing the compensation value by 50% for the financial liability and Deferred revenue liability respectively at the same time by Rp55 (110 x 50%), is as follows:

Year		1	2	3	4	5	6	7	8	9	10	Total
Db	Service Concession Asset – replacement surface layer – Nrc	–	–	–	–	–	–	–	110	–	–	110
Kr	Financial Liabilities – Nrc	–	–	–	–	–	–	–	(55)	–	–	(55)
Kr	Liabilities – Deferred revenue – Nrc	–	–	–	–	–	–	–	(55)	–	–	(55)

IE 53 An illustrative example of a journal adjustment for the calculation of annual straight-line depreciation of a replacement surface layer service concession asset whose acquisition recognition at the end of year 8 amounted to Rp18 (110/6 years of the asset's useful life), is as follows:

Year		1	2	3	4	5	6	7	8	9	10	Total
Db	Depreciation – replacement surface layer – LO	–	–	–	–	–	–	–	–	18	19	37
Kr	Accum. Depre. Service Concession Asset – replacement surface layer – Nrc	–	–	–	–	–	–	–	–	(18)	(19)	(37)

IE 54 The grantor's cash flows, statement of operations, and Statement of Financial Position during the concession period are illustrated in Table 9, Table 10, and Table 11. In addition, Table 12 shows the mutation of changes in liabilities (deferred revenue) and Table 13 shows the mutation of changes in financial liabilities.

Table 9: Cash Flow (in Rupiah)

Year	1	2	3	4	5	6	7	8	9	10	Total
Payment	-	-	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(800)
Net inflow/outflow	-	-	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(800)

Table 10: Statement of Operations (in Rupiah)

Year	1	2	3	4	5	6	7	8	9	10	Total
Income (reduction of liabilities – Deferred revenue)	–	–	68	67	68	67	68	67	96	95	596
Service Charge	–	–	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(48)
Finance Cost Expense	–	–	(33)	(30)	(26)	(22)	(17)	(12)	(11)	(5)	(156)
Depreciation – Base Layer	–	–	(39)	(39)	(39)	(39)	(39)	(39)	(39)	(39)	(312)
Original Surface Layer Depreciation	–	–	(18)	(19)	(18)	(18)	(19)	(18)	–	–	(110)
Depreciation – Replacement Surface Layer	–	–	–	–	–	–	–	–	(18)	(19)	(37)
Total Depreciation	–	–	(57)	(58)	(57)	(57)	(58)	(57)	(57)	(58)	(459)
LO Surplus/ (Deficit)	–	–	(28)	(27)	(21)	(18)	(13)	(8)	22	26	(67)

Notes:

1. The depreciation in year 3 to year 8 reflects the depreciation of the Original Surface Layer. Depreciation is fully carried out during this period.
2. The depreciation in year 9 and year 10 reflects the depreciation on the new service concession asset component (road surface layer replacement) recognized in year 8.
3. Revenue Value (reduction of liabilities) includes revenue from additional liabilities (Table 3.3).
4. All revenues are recognized equally over the concession period.

Table 11: Statement of Financial Position (in Rupiah)

Year	0	1	2	3	4	5	6	7	8	9	10
Fixed Assets – Land	210	–	–	–	–	–	–	–	–	–	–
Service Concession Asset – Land (grantor)	–	210	210	210	210	210	210	210	210	210	210
Service Concession Asset – Base Layer (from operator)	–	525	972	933	894	855	816	777	738	699	660
Service Concession Asset – Original Surface Layer (from operator)	–	–	110	92	73	55	37	18	–	–	–
Service Concession Asset – Replacement Surface Layer (from operator)	–	–	–	–	–	–	–	–	110	92	73

Total Service Concession Assets (from operators)	–	525	1.082	1.025	967	910	853	795	848	791	733
Cash	–	–	–	(100)	(200)	(300)	(400)	(500)	(600)	(700)	(800)
Service Concession Liability (Deferred revenue)	–	(262)	(541)	(473)	(406)	(338)	(271)	(203)	(191)	(95)	–
Service Concession Liability (Financial Liability)	–	(263)	(541)	(480)	(416)	(348)	(276)	(199)	(172)	(89)	_
Total Service Concession Liability	–	(525)	(1.082)	(953)	(822)	(686)	(547)	(402)	(363)	(184)	–
Accumulated Surplus / (Deficit)	–	–	–	(28)	(55)	(76)	(94)	(107)	(115)	(93)	(67)

Noets:

1. In this illustrative example, the resurfacing is carried out according to the planned schedule in year 8, when the Original Surface Layer has been fully depreciated. If the resurfacing occurs ahead of schedule, the original surface layer construction has not been fully depreciated and needs to be derecognized in accordance with the SGAS governing fixed assets before the new component of the service concession asset related to the resurfacing is recognized.
2. The new component of the service concession asset related to the resurfacing is recognized at the end of year 8. Depreciation on this new component is taken in year 9 and year 10 as illustrated in Table 10.
3. The liability (Deferred revenue) increases in year 8 for the recognition of 50% of the new service concession asset component.
4. Financial liabilities increased in year 8 for the recognition of 50% of the new service concession asset component.

1 **Table 12: Mutation of Changes in Liabilities – Deferred revenue (in Rupiah)**

Year	1	2	3	4	5	6	7	8	9	10
Beginning Balance	–	262	541	473	406	338	271	203	191	95
Liability (deferred revenue) recognized upon recognition of initial service concession asset	262	263	–	–	–	–	–	–	–	–
Finance charge added to asset construction	–	16	–	–	–	–	–	–	–	–
Income (reduction of liabilities – Deferred revenue)	–	–	(68)	(67)	(68)	(67)	(68)	(67)	(96)	(95)
Liability (deferred revenue) recognized upon recognition of replacement surface layer	–	–	–	–	–	–	–	55	–	–
Ending Balance	262	541	473	406	338	271	203	191	95	–

2 **Table 13: Mutation of Changes in Financial Liabilities (in Rupiah)**

Year	1	2	3	4	5	6	7	8	9	10
Beginning Balance	–	263	541	480	416	348	276	199	172	89
Financial liabilities recognized upon initial recognition of service concession assets	263	262	–	–	–	–	–	–	–	–
Finance charges are added to financial liabilities before payment is made	–	16	–	–	–	–	–	–	–	–
Part of a series of payments that reduces a financial liability	–	–	(61)	(64)	(68)	(72)	(77)	(82)	(83)	(89)
Financial liability recognized upon recognition of replacement surface layer	–	–	–	–	–	–	–	55	–	–
Ending Balance	263	541	480	416	348	276	199	172	89	–

Example 4: Initial Retrospective Application

Provision of Additional Arrangements in Agreements and Conditions in the Initial Transitional Period of Implementation

IE 55 The terms of the service concession arrangement allow the operator to collect tariffs from toll road users. The operator estimates that the number of vehicles will remain constant during the concession period and the operator will receive toll revenue of Rp100 in each year from year 3 to year 10. The service concession arrangement also stipulates that the grantor makes a series of predetermined payments to the operator of Rp100 each year. The fair value of the right to collect toll tariffs and a series of predetermined payments is considered equivalent compensation for the operator (i.e. 50% of any form of compensation scheme provided to the operator).

IE 56 At the time of initial application of this standard, the service concession arrangement was already up and running in year 7. The grantor has not recognized the asset component of the service concession provided by the operator at the end of year 2 at its fair value of Rp1,050, and similarly, the grantor has not recognized any liabilities, either liabilities – deferred revenue (scheme of granting business right to the operator to collect toll tariff of Rp100 per year starting from year 3 to year 10) or financial liabilities (scheme of financial obligation to make payments to the operator of Rp100 per year starting from year 3 to year 10). For a series of payments to operators from year 3 to year 6, payments of Rp100 per year have been recorded and presented as expenses – LO in each year of the transaction.

IE 57 The fair value of the asset and service components in the service concession arrangement is available from various reliable source documents with the information as in Table 1, and the capital cost or construction cost as well as the cost incurred by the operator in its business to maintain and operate the road in order to provide the service component is not practical to be calculated from the initial recognition of the service concession asset component.

Overview of Journal Entry, Cash Flow, Statement of Operations, and Statement of Financial Position

IE 58 An example of an adjusting journal entry for the recognition of service concession assets and liabilities in year 7 of the initial retrospective application of this standard is as follows: (the illustration of the journaling technique is done in several stages to show the retrospective reconstruction of the values used and the affected journal entry estimates)

An example of an adjusting journal entry to retrospectively recognize the initial acquisition of service concession assets and liabilities at their fair value of Rp1,082, consisting of: Base Layer of Rp972 (fair value of initial acquisition of Base Layer of Rp940 plus finance costs related to Base Layer costs in year 1 capitalized at Rp32); and fair value of initial acquisition of Original Surface Layer construction of Rp110, and the distribution of compensation schemes in the form of financial liabilities of Rp541 (Rp1.082 x 50%) and the granting of business rights amounting to Rp541 (Rp1,082 x 50%) for each 50% of the initial acquisition value of the service concession assets, are as follows:

Year		1	2	3	4	5	6	7	8	9	10	Total
Db	Service Concession Asset – Base Layer – Nrc	–	–	–	–	–	–	972	–	–	–	972
Db	Service Concession Asset – Original Surface Layer – Nrc	–	–	–	–	–	–	110	–	–	–	110
Kr	Financial Liabilities – Nrc	–	–	–	–	–	–	(541)	–	–	–	(541)
Kr	Liabilities – Deferred revenue – Nrc	–	–	–	–	–	–	(541)	–	–	–	(541)

An illustration of the journal adjustment for the cumulative effect of depreciation of service concession assets from year 3 to year 6 at the beginning of retrospective application on the opening balance of year 7, is as follows:

Year		1	2	3	4	5	6	7	8	9	10	Total
Db	Equity Correction	–	–	–	–	–	–	229	–	–	–	229
Kr	Accum. Construct. Service Concession Asset – Base Layer – Nrc	–	–	–	–	–	–	(156)	–	–	–	(156)
Kr	Accum. Depre. Service Concession Asset – Original Surface Layer – Nrc	–	–	–	–	–	–	(73)	–	–	–	(73)

Illustration of the adjusting journal entry for the cumulative effect of adding and/or deducting/amortizing liabilities – Deferred revenue and financial liabilities retrospectively after the initial recognition of service concession assets, amounting to Rp270 (Rp541/8 x 4 amortization periods from year 3 to year 6) and Rp265 (Rp541 minus 4 years of payments to operators for the calculation of asset components from year 3 to year 6), respectively, is as follows:

Year		1	2	3	4	5	6	7	8	9	10	Total
Db	Financial Liabilities – Nrc	–	–	–	–	–	–	265	–	–	–	265
Db	Liabilities – Deferred revenue – Nrc	–	–	–	–	–	–	270	–	–	–	270
Kr	Equity Correction	–	–	–	–	–	–	(535)	–	–	–	(535)

An illustration of the journal entry for the reclassification of state/local property in the form of land presented as fixed assets in accordance with SGAS governing Fixed Assets to service concession assets at its carrying amount of Rp210 in the 7th year of the initial retrospective application of this standard is as follows:

Year		1	2	3	4	5	6	7	8	9	10	Total
Db	Service Concession Asset – Land – Nrc	–	–	–	–	–	–	210	–	–	–	210
Kr	Fixed Assets/Partnership Assets – Land – Nrc	–	–	–	–	–	–	(210)	–	–	–	(210)

IE 59 An illustration of the Journal Entry when the grantor makes payments to the operator of Rp100 per year from year 7 to year 10 intended to reimburse its share of road construction costs, its share of annual operating costs of Rp12, and its share of Replacement Surface Layer costs in year 8 of Rp110, is as follows:

Year		1	2	3	4	5	6	7	8	9	10	Total
Db	Financial Liabilities – Nrc	–	–	–	–	–	–	77	82	83	89	331
Db	Cost of Service – LO	–	–	–	–	–	–	6	6	6	6	24

Db	Finance Cost Expense – LO	–	–	–	–	–	–	17	12	11	5	45
Kr	Cash – Nrc	–	–	–	–	–	–	(100)	(100)	(100)	(100)	(400)

IE 60 An illustrative example of a Journal Entry for revenue recognition and amortization/reduction in value of liabilities – deferred revenue on a straight-line basis of Rp68 (Rp541/8) in year 7 and an increase in value of Rp96 (Rp68 + (Rp55/2 years remaining concession period)) in connection with the resurfacing in year 8, is as follows:

Year		1	2	3	4	5	6	7	8	9	10	Total
Db	Liabilities – Deferred revenue – Nrc	–	–	–	–	–	–	68	67	96	95	326
Kr	Revenue – LO	–	–	–	–	–	–	(68)	(67)	(96)	(95)	(326)

IE 61 An illustrative example of a journal adjustment for the calculation of annual depreciation of an asset on a straight-line basis from year 7 to year 10 amounting to Rp39 (Rp972/25 years of the asset's useful life) for Base layer and Rp18 (110/6 years of the asset's useful life), is as follows:

Year		1	2	3	4	5	6	7	8	9	10	Total
Db	Base Layer depreciation –LO	–	–	–	–	–	–	39	39	39	39	156
Kr	Accum. Construct. Service Concession Asset – Base Layer – Nrc	–	–	–	–	–	–	(39)	(39)	(39)	(39)	(156)
Db	Original Surface Layer Depreciation – LO	–	–	–	–	–	–	19	18	–	–	37
Kr	Accum. Depre. Service Concession Asset – Original Surface Layer – Nrc	–	–	–	–	–	–	(19)	(18)	–	–	(37)

IE 62 An illustrative example of a Journal Entry of the road surface replacement component of Rp110 as a separate component of the service concession asset in year 8 and increasing the value of liabilities (Deferred revenue) by Rp55 (Rp110 x 50%) and financial liabilities by Rp55 (Rp110 x 50%) at the same time for each 50% of the initial acquisition value of the service concession asset, is as follows:

Year		1	2	3	4	5	6	7	8	9	10	Total
Db	Service Concession Asset – replacement surface layer – Nrc	–	–	–	–	–	–	–	110	–	–	110
Kr	Financial Liabilities – Nrc	–	–	–	–	–	–	–	(55)	–	–	(55)
Kr	Liabilities – Deferred revenue – Nrc	–	–	–	–	–	–	–	(55)	–	–	(55)

IE 63 An illustrative example of a journal adjustment for the calculation of annual straight-line depreciation of a replacement surface layer service concession asset whose acquisition recognition at the end of year 8 amounted to Rp18 (Rp110/6 years of asset life), is as follows:

Year		1	2	3	4	5	6	7	8	9	10	Total
Db	Depreciation – replacement surface layer – LO	–	–	–	–	–	–	–	–	18	19	37
Kr	Accum. Depre. Service Concession Asset – replacement surface layer – Nrc	–	–	–	–	–	–	–	–	(18)	(19)	(37)

IE 64 The grantor's cash flows, statement of operations, and Statement of Financial Position during the concession period are illustrated in Table 14, Table 15, and Table 16. In addition, Table 17 shows the mutation of changes in liabilities (deferred revenue) and Table 18 shows the mutation of changes in financial liabilities.

Table 14: Cash Flow (in Rupiah)

Year	1	2	3	4	5	6	7	8	9	10	Total
Payment	-	-	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(800)
Net inflow/outflow	-	-	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(800)

Table 15: Statement of Operations (in Rupiah)

Year	1	2	3	4	5	6	7	8	9	10	Total
Income (reduction of liabilities – Deferred revenue)	–	–	68	67	68	67	68	67	96	95	596
Service Charge	–	–	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(48)
Finance Cost Expense	–	–	(33)	(30)	(26)	(22)	(17)	(12)	(11)	(5)	(156)
Depreciation – Base Layer	–	–	(39)	(39)	(39)	(39)	(39)	(39)	(39)	(39)	(312)
Original Surface Layer Depreciation	–	–	(18)	(19)	(18)	(18)	(19)	(18)	–	–	(110)
Depreciation – Replacement Surface Layer	–	–	–	–	–	–	–	–	(18)	(19)	(37)
Total Depreciation	–	–	(57)	(58)	(57)	(57)	(58)	(57)	(57)	(58)	(459)
LO Surplus/ (Deficit)	–	–	(28)	(27)	(21)	(18)	(13)	(8)	22	26	(67)

Notes:

1. The depreciation in year 3 to year 8 reflects the depreciation of the Original Surface Layer. Depreciation is fully carried out during this period.
2. The depreciation in year 9 and year 10 reflects the depreciation on the new service concession asset component (road surface layer replacement) recognized in year 8.
3. Revenue Value (reduction of liabilities) includes revenue from additional liabilities (Table 3.3).
4. All revenues are recognized equally over the concession period.

Table 16: Statement of Financial Position (in Rupiah)

Year	0	1	2	3	4	5	6	7	8	9	10
Fixed Assets –Land	210	–	–	–	–	–	–	–	–	–	–
Service Concession Asset – Land (grantor)	–	210	210	210	210	210	210	210	210	210	210
Service Concession Asset – Base Layer (from operator)	–	525	972	933	894	855	816	777	738	699	660
Service Concession Asset – Original Surface Layer (from operator)	–	–	110	92	73	55	37	18	–	–	–

Service Concession Asset – replacement surface layer (from operator)	–	–	–	–	–	–	–	–	110	92	73
Total Service Concession Assets (from operator)	–	525	1.082	1.025	967	910	853	795	848	791	733
Cash	–	–	–	(100)	(200)	(300)	(400)	(500)	(600)	(700)	(800)
Service Concession Liability (Deferred revenue)	–	(262)	(541)	(473)	(406)	(338)	(271)	(203)	(191)	(95)	–
Service Concession Liability (Financial Liability)	–	(263)	(541)	(480)	(416)	(348)	(276)	(199)	(172)	(89)	_
Total Service Concession Liability	–	(525)	(1.082)	(953)	(822)	(686)	(547)	(402)	(363)	(184)	–
Accumulated Surplus/Deficit	–	–	–	(28)	(55)	(76)	(94)	(107)	(115)	(93)	(67)

Notes:

1. In this illustrative example, the resurfacing is carried out according to the planned schedule in year 8, when the Original Surface Layer has been fully depreciated. If the resurfacing occurs ahead of schedule, the original surface layer has not been fully depreciated and needs to be derecognized in accordance with the SGAS governing fixed assets before the new component of the service concession asset related to the resurfacing is recognized.
2. The new component of the service concession asset related to the resurfacing is recognized at the end of year 8. Depreciation on this new component is taken in year 9 and year 10 as illustrated in Table 10.
3. The liability (Deferred revenue) increases in year 8 for the recognition of 50% of the new service concession asset component.
4. Financial liabilities increased in year 8 for the recognition of 50% of the new service concession asset component.

1 **Table 17: Mutation of Changes in Liabilities –Deferred revenue (in Rupiah)**

Year	1	2	3	4	5	6	7	8	9	10
Beginning Balance	-	262	541	473	406	338	271	203	191	95
Liability (deferred revenue) recognized upon recognition of initial service concession asset	262	263	-	-	-	-	-	-	-	-
Finance charge added to asset construction	-	16	-	-	-	-	-	-	-	-
Income (reduction of liabilities – Deferred revenue)	-	-	(68)	(67)	(68)	(67)	(68)	(67)	(96)	(95)
Liability (deferred revenue) recognized upon recognition of replacement surface layer	-	-	-	-	-	-	-	55	-	-
Ending Balance	262	541	473	406	338	271	203	191	95	-

2 **Table 18: Mutation of Changes in Financial Liabilities (in Rupiah)**

Year	1	2	3	4	5	6	7	8	9	10
Beginning Balance	–	263	541	480	416	348	276	199	172	89
Financial liabilities recognized upon initial recognition of service concession assets	263	262	–	–	–	–	–	–	–	–

Finance charges are added to financial liabilities before payment is made	–	16	–	–	–	–	–	–	–	–
Part of a series of payments that reduces a financial liability	–	–	(61)	(64)	(68)	(72)	(77)	(82)	(83)	(89)
Financial liability recognized upon recognition of replacement surface layer	–	–	–	–	–	–	–	55	–	–
Ending Balance	263	541	480	416	348	276	199	172	89	–

Example 5: Termination of the Arrangement on the End Date of the Service Concession Period

Additional Regulatory Provisions in the Arrangement

IE 65 The service concession arrangement with the distribution of financial liability compensation scheme and the granting of business rights to the operator ends at the end of year 10. In year 10 before the service concession asset in the form of a toll road network is handed over at the beginning of year 11 to the grantor, the operator conducts maintenance and repairs to fulfill the condition of the asset in accordance with the arrangement and incurs costs of Rp25. The operator’s expenditure on asset maintenance at the end of year 10 does not result in an increase in the value of the service concession asset.

IE 66 At the beginning of the 11th year in accordance with the minutes of handover, the operator handed over the operation of the road along with the service concession assets in the form of a toll road network to the grantor. Upon this handover, the grantor reclassifies the service concession assets to be recognized and recorded as state/local property with a separate asset type from fixed assets in accordance with their carrying book value.

Overview of Journal Entry, Statement of Operations, and Statement of Financial Position

IE 67 An illustrative example of a Journal Entry for the handover of service concession assets in the form of a toll road network and land to the grantor at the beginning of year 11, is as follows:

Year		11
Db	Fixed Assets – Base Construction Road ex service concession – Nrc	660
Kr	Service Concession Asset – Base Layer – Nrc	(660)
Db	Fixed Assets – replacement surface layer ex service concession – Nrc	73
Kr	Service Concession Asset – replacement surface layer – Nrc	(73)
Db	Fixed Assets – Land ex service concession	210
Kr	Service Concession Asset – Land	210

IE 68 An illustrative example of a journal adjustment of depreciation expense for the current fiscal year (year 11) amounting to Rp39 (Rp972/25 years of the asset's useful life) for Base layer and Rp18 (110/6 years of the asset's useful life), as follows:

Year		11
Db	Depreciation – Base Layer – LO	39
Kr	Accum. Construct. Fixed Assets – Base Construction Road ex service concession – Nrc	(39)
Db	Depreciation – replacement surface layer – LO	18
Kr	Accum. Constr. Fixed Assets – Road Surface Construction Initial ex service concession – Nrc	(18)

IE 69 The statement of operations and Statement of Financial Position illustrating the presentation of service concession assets after handover from the operator to the grantor are illustrated in Table 20 and Table 21.

Table 19: Cash Flow (in Rupiah)

Year	1	2	3	4	5	6	7	8	9	10	11	Jumlah
Payment	-	-	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	–	(800)
Net inflow/outflow	-	-	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	–	(800)

Table 20: Statement of Operations (in Rupiah)

Year	1	2	3	4	5	6	7	8	9	10	11
Income (reduction of liabilities – Deferred revenue)	–	–	68	67	68	67	68	67	96	95	–
Service Charge	–	–	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	–
Finance Cost Expense	–	–	(33)	(30)	(26)	(22)	(17)	(12)	(11)	(5)	–
Depreciation – Base Layer	–	–	(39)	(39)	(39)	(39)	(39)	(39)	(39)	(39)	(39)
Original Surface Layer Depreciation	–	–	(18)	(19)	(18)	(18)	(19)	(18)	–	–	–
Depreciation – replacement surface layer	–	–	–	–	–	–	–	–	(18)	(19)	(18)
Total Depreciation	–	–	(57)	(58)	(57)	(57)	(58)	(57)	(57)	(58)	(57)
LO Surplus/ (Deficit)	–	–	(28)	(27)	(21)	(18)	(13)	(8)	22	26	(57)

Table 21: Statement of Financial Position (in Rupiah)

Year	0	1	2	3	4	5	6	7	8	9	10	11
Fixed Assets – Land	210	–	–	–	–	–	–	–	–	–	–	
Fixed Assets – Land ex service concession	–	–	–	–	–	–	–	–	–	–	–	210
Fixed Assets – Base Construction Road ex service concession	–	–	–	–	–	–	–	–	–	–	–	621
Fixed Assets Construction of ex–service concession road surface	–	–	–	–	–	–	–	–	–	–	–	55
Total Fixed Assets ex service concession	–	–	–	–	–	–	–	–	–	–	–	886
Service Concession Asset – Land (grantor)	–	210	210	210	210	210	210	210	210	210	210	–

Service Concession Asset – Base Layer (from operator)	–	525	972	933	894	855	816	777	738	699	660	–
Service Concession Asset – Original Surface Layer (from operator)	–	–	110	92	73	55	37	18	–	–	–	–
Service Concession Asset – Road Surface (from operator)	–	–	–	–	–	–	–	–	110	92	73	–
Total Service Concession Assets (from operators)	–	525	1.082	1.025	967	910	853	795	848	791	733	–
Cash	–	–	–	(100)	(200)	(300)	(400)	(500)	(600)	(700)	(800)	–
Service Concession Liability (Deferred revenue)	–	(262)	(541)	(473)	(406)	(338)	(271)	(203)	(191)	(95)	–	–
Service Concession Liability (Financial Liability)	–	(263)	(541)	(480)	(416)	(348)	(276)	(199)	(172)	(89)	–	–
Total Service Concession Liability	–	(525)	(1.082)	(953)	(822)	(686)	(547)	(402)	(363)	(184)	–	–
Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
Accumulated Surplus/Deficit	–	–	–	(28)	(55)	(76)	(94)	(107)	(115)	(93)	(67)	(124)

Differences with IPSAS 32

SGAS 16: *Service Concession Arrangements* - The Grantor is prepared in accordance with *International Public Sector Accounting Standard (IPSAS) 32 - Service Concession Arrangements*: Grantor, which includes IPSAS revisions issued up to January 31, 2020, except:

1. Paragraph 31, this is because the presentation of information in the financial statements follows the provisions in accordance with the existing arrangements in SGAS 01 concerning Presentation of Financial Statements.
2. Paragraphs 34, 35, 35A, and 35B of the transition section, this is because the government entity has never recognized service concession assets and related liabilities, and retrospective initial application for service concession assets using the revaluation model cannot be referred to and applied.
3. Paragraphs 36, 36A, 36B, 36C and 37 section effective date of application, this is because the initial year of application is applied in accordance with the provisions in the establishment of this SGAS. Earlier application is not referred to.
4. The Basis for Conclusions was not adopted for matters related to the chronology of the business process of the *International Public Sector Accounting Standard Boards* (IPSASB) deliberations on standards.

In this Statement of Standards, there are several additional standard paragraphs and explanatory paragraphs that are emphasized, namely

1. Paragraph 13 as an explanatory paragraph of paragraph 12 is necessary to provide confirmation and understanding that service concession assets may be formed from one or several types of asset groups as stated in SGAS 07 on Accounting for Fixed Assets or SGAS 14 on Accounting for Intangible Assets, and then differentiated into separate types of asset groups and depreciated or amortized as a separate type of asset group without being limited by the concession period according to the service concession arrangement
2. Paragraph 14 as a standard paragraph is necessary for confirmation that at the end of the service concession period, service concession assets are reclassified using the carrying book value of the service concession assets and are not intended to be recorded and presented as characteristics of several types of separate groups of fixed assets or intangible assets.
3. Paragraph 28 as an explanatory paragraph explains that in schemes where the grantor does not make payments to partners for the provision of service concession asset components and service components, then in the event that there are payments in this scheme, it is explained that such payments are made in connection with the use of public services from the use of service concession assets and are not treated as a deduction from the liabilities arising from the recognition of the acquisition of service concession assets.

GOVERNMENT ACCOUNTING STANDARD STATEMENT NO. 17

INVESTMENT PROPERTY

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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ACCRUAL BASIS GOVERNMENT ACCOUNTING STANDARD

STATEMENT NUMBER 17

INVESTMENT PROPERTY

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 property and related disclosure requirements.

Scope

2. This Standard applies to the recognition, measurement, presentation, and disclosure of investment property in general purpose financial statements for central and local government entities excluding state/local companies.

3. This Standard does not apply to:

(a) Biological assets related to agricultural activity; and

(b) Mineral rights and mineral reserves such as oil, natural gas, and similar non-regenerative resources.

DEFINITIONS

4. The following terms are used in this Standard with the meanings specified:

Carrying amount is the book value of an asset, calculated from the acquisition cost of an asset after deducting accumulated depreciation.

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 consideration that has been and is 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 for use.

Cost model is an accounting method that records the value of investments based on acquisition costs.

Fair value is the rate at which an asset is exchanged or a liability settled between parties who understand and are willing to enter into an arm's length transaction.

Investment property is property to earn rentals or for capital appreciation, or both, rather than for:

(a) Use in governmental activity, utilized by the general public, in the production or supply of goods or services or for administrative purposes; or

(b) Sold and/or delivered in the context of providing services to the public.

Owner-occupied property is is property held (by the owner or by the lessee as a right-of-use asset) for governmental activities, utilization by the general public, in the production or supply of goods or services or for administrative purposes.

INVESTMENT PROPERTY

5. There are a number of circumstances in which government entities may hold property to earn rental and for capital appreciation. For example, a government entity may be established to manage a government's property portfolio on a commercial basis. In this case, properties owned by the entity, other than those held for its own use or sale and/or delivery in the context of providing services to the public, meet the definition of investment property. In addition, government entities may also hold property for rentals or capital appreciation, and use the cash generated to finance their other activities. For example, an entity may own a building for the purpose of leasing on a commercial basis to external parties to generate funds, rather than to produce or supply goods and services. This property would also meet the definition of investment property.

6. In general, government entities own tangible assets in the form of property that have a useful life of more than 12 (twelve) months to be used in government activities or utilized by the general public. However, there are some circumstances where government entities have property assets that are managed to generate rental revenue and/or assets that are held with the intention of obtaining a capital appreciation.

7. Investment properties are held to generate rental revenue or to realize capital appreciation, or both. Therefore, investment property generates cash flows that are largely independent of other assets controlled by the entity. This distinguishes investment property from Owner-Occupied Property (fixed assets).

8. The following are examples of investment property:

(a) Land that is controlled and/or owned in the long term for the purpose of obtaining an capital appreciation and not for sale and/or transfer in the context of providing services to the public or to other government entities in the short term

(b) Land held for a currently undetermined future use. If an entity has not determined that it will use the land as owner-occupied property, including occupation to provide services such as those provided by national parks to current and future generations, or for short-term sale in the context of providing services to the public, the land is regarded as held for capital appreciation;

(c) A building owned by the entity (or a right-of-use asset relating to a building held by the entity) and leased out under one or more operating leases on a commercial basis. For example, a university may own a building that it leases on a commercial basis.

(d) A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis.

(e) Property that is being constructed or developed for future use as investment property.

9. The following are examples of items that are not investment property and are therefore outside the scope of this Standard:

(a) Property that is intended to be sold and/or delivered in the context of providing services to the public or is in the process of construction or development for sale and/or delivered in the context of providing services to the public, such as property acquired exclusively with the intention of being delivered in the near future or for development and redelivery;

(b) properties that are still under construction or development on behalf of third parties;

(c) Owner-occupied property (see SGAS 07 Accounting for Fixed Assets), including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, and owner-occupied property awaiting disposal.

(d) Property that is leased to another entity under a finance lease.

(e) Property held to provide a social service and which also generates cash inflows. For example, a housing department may hold a large housing stock used to provide housing to low income families at below market rental.

(f) Property held for strategic purposes which would be accounted for in accordance with SGAS governing Fixed Assets.

(g) property that is not intended to generate rental revenue and capital appreciation, but is occasionally leased to other parties. Suppose the government owns property that is used for operational activities but occasionally leased to other parties.

10. Government entities will hold property to meet service delivery objectives rather than to earn rental or for capital appreciation and therefore do not meet the definition of investment property. In such situations, the property will not meet the definition of investment property. However, where a public sector entity does hold property to earn rental or for capital appreciation, this Standard is applicable. In some cases, public sector entities hold some property that comprises (a) a portion that is held to earn rentals or for capital appreciation rather than to provide services, and (b) another portion that is held for use in the production or supply of goods or services or for administrative purposes. For example, a hospital or a university may own a building, part of which is used for administrative purposes, and part of which is leased out as apartments on a commercial basis. If these portions could be sold separately (or leased out separately under a finance lease), an entity accounts for the portions separately. If the portions could not be sold separately, the property is investment property only if an insignificant portion is held for administrative purposes.

11. In some cases, an entity provides ancillary services to the occupants of a property it holds. An entity treats such a property as investment property if the services are insignificant to the arrangement as a whole. An example is when a government agency provides security and maintenance services to the lessees who occupy the building.

12. Judgment is needed to determine whether a property qualifies as investment property. An entity develops criteria for an asset to be categorized as an investment property. An entity discloses these criteria when classification is difficult.

13. In the case of consolidation, an entity owns investment properties that are leased to and utilized by the parent entity (the entity authorized to consolidate) or another subsidiary (the entity whose reports are consolidated). The investment property does not meet the definition of investment property in the consolidated financial statements because the ownership of the investment property is within a single economic entity. The asset is presented as investment property in the accounting of the lessee entity. This condition may occur if the government establishes a building management entity that manages a building that is leased to another government entity on a commercial leasing basis. In the financial statements of the building management entity, the building is presented as investment property. However, for the purpose of presenting the consolidated financial statements, the building is presented as a fixed asset in accordance to the SGAS governing Fixed Assets.

14. Where investment property is leased to another government entity, the portion of investment property leased to the other government should be disclosed in the financial

statements of both reporting entity.

RECOGNITION

15. An owned investment property shall be recognized as an asset when, and only when:

(a) It is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity; and

(b) The cost or fair value of the investment property can be measured reliably.

16. In determining whether an item satisfies the first criterion for recognition, an entity needs to assess the degree of certainty attaching to the flow of future economic benefits or service potential on the basis of the available evidence at the time of initial recognition. The certainty that the entity will receive the inherent economic benefits and risks associated with the investment property.

17. The second criterion for recognition is usually readily satisfied because the exchange transaction evidencing the purchase of the asset identifies its cost. As specified in paragraph 27 of this Standard, under certain circumstances an investment property may be acquired at no cost or for a nominal cost. In such cases, cost is the investment property's fair value as at the date of acquisition.

18. An entity evaluates under this recognition principle all its investment property costs at the time they are incurred. These costs include costs incurred initially to acquire an investment property, and costs incurred subsequently to add to, replace part of, or service a property.

19. Under the recognition principle in paragraph 15, an entity does not recognize in the carrying amount of an investment property the costs of the day-to-day servicing of such a property. Rather, these costs are recognized in surplus or deficit as incurred. Costs of day-to-day servicing are primarily the costs of labor and consumables, and may include the cost of minor parts. The purpose of these expenditures is often described as for the repairs and maintenance of the property.

20. Parts of investment property may have been acquired through replacement. For example, the interior walls may be replacements of original walls. Under the recognition principle, an entity recognizes in the carrying amount of an investment property the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of this Standard.

MEASUREMENT AT INITIAL RECOGNITION

21. An owned investment property shall be measured initially at its cost (transaction costs shall be included in this initial measurement).

22. Where an owned investment property is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

23. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes, and other transaction costs.

24. The cost of investment property is not increased by:

(a) Start-up costs (unless they are necessary to bring the property to the condition necessary for it to be capable of operating in the manner intended by management);

(b) Operating losses incurred before the investment property achieves the planned level of occupancy; or

(c) Abnormal amounts of wasted material, labor or other resources incurred in constructing or developing the property.

25. If payment for investment property is deferred, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as interest expense over the period of credit.

26. An investment property may be acquired through a non-exchange transaction. For example, a national government may transfer at no charge a surplus office building to a local government entity, which then lets it out at market rent. An investment property may also be acquired through a non-exchange transaction by the exercise of powers of sequestration. In these circumstances, the cost of the property is its fair value as at the date it is acquired.

27. The initial acquisition cost of the rights to property held under lease and classified as investment property accounted for as finance leases, in which case the asset is recognized at the lower of fair value and the present value of the minimum lease payments. An equivalent amount is recognized as a liability in accordance with the provisions of the same paragraph.

28. Premiums paid for leases are treated as part of the minimum lease payments, and are therefore included in the cost of the asset, but excluded from liabilities. If the rights to property held under a lease are classified as investment property, they are carried at the fair value of the rights rather than of the underlying property.

29. One or more investment properties may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The following discussion refers to an exchange of one non-monetary asset for another, but it also applies to all exchanges described in the preceding sentence. The cost of such an investment property is measured at fair value unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. The acquired asset is measured in this way even if an entity cannot immediately derecognize the asset given up. If the acquired asset is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

30. An entity determines whether an exchange transaction has commercial substance by considering the extent to which its future cash flows or service potential is expected to change as a result of the transaction. An exchange transaction has commercial substance if:

(a) The configuration (risk, timing, and amount) of the cash flows or service potential of the asset received differs from the configuration of the cash flows or service potential of the asset transferred; or the entity-specific value of the portion of the entity'soperations affected by the transaction changes as a result of the exchange; and

(b) The difference in (a) or (b) is significant relative to the fair value of the assets exchanged.

For the purpose of determining whether an exchange transaction has commercial substance, the entity- specific value of the portion of the entity's operations affected by the transaction shall reflect post-tax cash flows, if tax applies. The result of these analyses may be clear without an entity having to perform detailed calculations.

31. The fair value of an asset is reliably measurable if

(a) the variability in the range of reasonable fair value measurements is not significant for that asset or

(b) the probabilities of the various measurements within the range can be reasonably assessed and used when measuring fair value. If the entity is able to measure reliably the fair value of either the asset received or the asset given up, then the fair value of the asset given up is used to measure cost unless the fair value of the asset received is more clearly evident.

32. Investment properties acquired from other accounting entities within the same reporting entity are valued at book value. Meanwhile, investment properties obtained from other accounting entities outside the reporting entity are valued using fair value.

MEASUREMENT AFTER INITIAL RECOGNITION

33. Investment properties are valued using the cost model, which is at cost less accumulated depreciation.

34. Investment Property, except land, is depreciated using depreciation method in accordance with SGAS governing Fixed Assets.

35. Revaluation of investment properties is generally not permitted because Government Accounting Standards (GAS) require the valuation of assets at cost or exchange price.

36. Revaluation of investment properties can be carried out based on government regulations that apply nationally.

37. In the event that the revaluation process is carried out in stages, the revaluation result of acquired investment property is recognized in the financial statements of the period in which the revaluation is carried out, if, and only if, the investment property has been fully revalued.

38. Investment properties are revalued simultaneously to avoid selective revaluation of assets and reporting amounts in the financial statements that are a mixture of costs and values at different dates. However, investment properties may be revalued on a rolling basis provided that the revaluation is completed within a short period of time and the revaluation value is kept up to date.

39. Upon revaluation, investment property is valued at fair value based on the revaluation result. The difference between the revalued amount and the carrying amount of the investment property is recognized in the equity account in the period of revaluation. After revaluation, investment property is valued at fair value lessaccumulated depreciation. An entity may adjust the useful life of the revalued investment property based on the physical condition of the investment property.

40. If the carrying amount of investment property increases as a result of revaluation, the increase is recognized as an increase in equity. Conversely, if the carrying amount of investment property decreases as a result of revaluation, the decrease is recognized as a decrease in equity.

41. The best fair value guidance refers to current prices in active markets for similar properties in the same location and condition and based on similar leases and other contracts. An entity should consider any differences in the nature, location, or condition of the property, or the terms agreed in leases and other contracts relating to the property.

42. In the absence of current prices in similar active markets as described in paragraph 41, an entity should consider information from a variety of sources, including:

(a) current prices in active markets for properties of different nature, condition and location (or based on different leases or other contracts), adjusted to reflect such differences;

(b) the last price of a similar property in a less active market, with adjustments to reflect any changes in economic conditions since the date the transaction occurred at that price, and discounted cash flow projections based on reliable estimates of future cash flows, supported by terms/clauses contained in existing leases and other contracts and (where possible) by external evidence such as current market rentals for similar properties in similar locations and conditions, and the use of discount rates that reflect current market assessments of uncertainty in the amount or timing of cash flows.

43. In some cases, the various sources described in the preceding paragraphs suggest different conclusions about the fair value of investment properties. An entity should consider the reasons for such differences in order to obtain the most reliable estimate of fair value within the appropriate range of fair value estimates.

44. In conducting a revaluation, an entity may use an internal appraisal or an independent appraiser.

TRANSFERS

45. An entity shall transfer a property to or from investment property when, and only when, there is a change in use demonstrated by:

(a) Commencement of the entity's use of investment property, for a transfer from investment property to fixed asset;

(b) Commencement of development of investment property with a view to sale, for a transfer from investment property to inventories;

(c) End of owner-occupation, for a transfer from owner-occupied property to investment property; and

(d) Inception of an operating lease to another party, for a transfer from inventories to investment property.

46. A government’s use of property may change over time. For example, a government may decide to occupy a building currently used as an investment property, orlease to a third party a building currently used for administrative purposes. In the former case, the investment property is transferred to fixed assets. In the latter case, fixed assets are transferred to investment property.

47. Paragraph 45(b) requires an entity to transfer a property from investment property to inventory if, and only if, there is a change in use, which is indicated by the commencement of development with a view to sale. When an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the statement of financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for

continued future use as investment property, the property remains an investment property.

48. A government property department may regularly review its buildings to determine whether they are meeting its requirements, and as part of that process may identify, and hold, certain buildings for sale. In this situation, the building may be considered inventory. However, if the government decided to hold the building for its ability to generate rent revenue and its capital appreciation potential, it would be reclassified as an investment property on commencement of any subsequent operating lease.

49. As the entity uses the cost model, transfers of use between investment properties, owner-occupied property and inventories do not change the carrying amount of the property being transferred and do not change the cost of the property for measurement and disclosure purposes. The value used when a transfer is made is the carrying amount of the investment property being transferred.

DISPOSALS

50. An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

51. The disposal of an investment property may be achieved by sale, exchange, write-off or derecognition

52. If, in accordance with the recognition principle in paragraph 15, an entity recognizes in the carrying amount of an asset the cost of a replacement for part of an investment property, it derecognizes the carrying amount of the replaced part. For investment property accounted for using the historical cost model, a replaced part may not be a part that was depreciated separately. If it is not practicable for an entity to determine the carrying amount of the replaced part, it may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed.

53. Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset, and shall be recognized in surplus or deficit in the period of the retirement or disposal.

54. Consideration received on disposal of investment property is initially recognized at fair value. If payment for the investment property is deferred, the consideration received is initially recognized at the cash equivalent. The difference between the nominal amount of the consideration and the cash equivalent is recognizedas interest revenue.

55. An entity records any liabilities that it retains after disposal of an investment property.

56. Compensation from third parties for investment property that was impaired, lost, or given up shall be recognized in surplus or deficit when the compensation becomes receivable.

PRESENTATION OF INVESTMENT PROPERTY

57. ***In accordance with paragraph 45 of SGAS governing the Presentation of Financial Statements, Investment property is classified as non-current assets.***

58. Investment property is presented separately from property, plant and equipment and other assets.

59. Since the nature of investment property classification is to earn rental revenue or capital appreciation, an entity may have the intention to sell if the capital appreciation of the investment property is favorable and the entity will not utilize the property in the future. The classification of investment property does not consider the intention of having the investment property assets on a continuing or discontinuing basis.

DISCLOSURE

60. An entity shall disclose:

(a) ***the basis of valuation used to determine the carrying amount***

(b) ***The depreciation methods used;***

(c) ***The useful lives or the depreciation rates used;***

(d) ***The gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period;***

(e) ***The reconciliation of the carrying amount of investment property at the beginning and end of the period, showing the following:***

- ***i.*** ***Additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognized as an asset;***
- ***ii.*** ***Additions resulting from acquisitions through combinations;***
- ***iii.*** ***disposals;***
- ***iv.*** ***depreciation;***
- ***v.*** ***Transfers to and from inventories and owner-occupied property; and***
- ***vi.*** ***other changes***

(f) ***if the entity revaluate the investment property, the fair value of investment property shows the following:***

- ***i.*** ***description of investment property subject to revaluation;***
- ***ii.*** ***regulatory basis for revaluing investment properties;***
- ***iii.*** ***effective date of revaluation;***
- ***iv.*** ***carrying amount before revaluation***
- ***v.*** ***the amount of the fair value adjustment;the carrying amount of investment property after revaluation.***

(g) ***if the valuation is carried out gradually, the entity needs to disclose the results of the revaluation of investment property;***

(h) ***where classification of investment property is difficult, the criteria used to distinguish investment property from Owner-Occupied Property and from property held for sale in the ordinary course of business;***

(i) ***the methods and significant assumptions applied in determining fair value when an entity revalues an investment property, which includes a statement of whether the determination of fair value is supported by market evidence or is based more on other factors (which the entity should disclose) due to the nature of the property and the limitations of comparable market data;***

(j) ***if the entity undertakes a revaluation using independent valuers, the extent of the relevant professional qualifications and recent experience in the location of the valuers;***

(k) ***The amounts recognized in surplus or deficit for:***

i. Rental revenue from investment property;

ii. Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental revenue during the period; and

iii. Direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental revenue during the period.

(l) Contractual obligations to purchase, construct, or develop investment property or for repairs, maintenance, or enhancements.

(m) investment properties leased by other government entities.

TRANSITION PROVISIONS

***61.** An entity applies this standard by classifying its assets into Investment Property at first time using the carrying amount of the assets as its cost.*

***62.** The entity applies this standard prospectively.*

EFFECTIVE DATE

***63.** This Statement of Government Accounting Standards (SGAS) is effective for financial statements on budget execution accountability starting in Fiscal Year 2022.*

Basis For Conclusions

(This Basis for Conclusions accompanies SGAS governing Investment Property, but is not part of SGAS governing Investment Property. This Basis for Conclusions has been prepared to explain the basis for material differences between the SGAS and IPSAS.)

Background

BC 01 The Government Accounting Standards Committee (KSAP) developed Investment Property SGAS to complement the existing Government Accounting Standards (GAS) by referring to IPSAS 16 Investment Property.

BC 02 The Publication Draft of SGAS Investment Property was issued in July 2018 and a hearing has been conducted to users of the standard.

Definition of Investment Property

BC 03 The definition of Investment Property in this SGAS is different from the definition contained in IPSAS 16 Investment Property, where the definition adds the phrase investment property exceptions including "used in government activities, utilized by the general public". In addition, the definition of investment property in this standard also replaces the phrase sold in the normal operations of the entity to "sold and / or delivered in the context of providing services to the public". This adjustment is made to harmonize with the arrangements contained in SGAS 05 Accounting for Inventories and SGAS 07 Fixed Assets and to better reflect the main tasks and functions of the government in providing services to the public.

BC 04 Paragraph 6 emphasizes that in owning Investment Property, the Government cannot override its main duties and functions. KSAP felt the need to add this paragraph to emphasize that in general, properties are owned by government entities for the purpose of utilization for the public.

Measurement at Initial Recognition

BC 05 Investment Property is principally measured at cost upon initial recognition. If the investment property is not acquired through a purchase transaction, the investment property is measured using fair value at the date of acquisition. In government entities, there are accounting entities and reporting entities. KSAP believes that Investment Property acquired from other accounting entities within one reporting entity is not a transaction that has commercial substance. Meanwhile, Investment Property acquired from different reporting entities has commercial substance. Therefore, KSAP in paragraph 32 states that Investment Property obtained from other accounting entities within one reporting entity is valued using book value.

Measurement After Initial Recognition

BC 06 KSAP has discussed several approaches in measuring Investment Property after initial recognition. Specifically, the committee considered three options, namely:

a) Approach 1: accommodates the approach of IPSAS 16: Investment Property whereby an entity can choose either the fair value approach or the cost model, and apply that policy to all Investment Property.

b) Approach 2: referring to SGAS 07: Property, Plant and Equipment, Investment Property is based on cost less accumulated depreciation (costmodel) and revaluation is generally not permitted and is only possible under nationally applicable government regulations.

c) Approach 3: refers to SGAS 07: Property, Plant and Equipment, Investment Property based on cost less accumulated depreciation (cost model) but with allowance for revaluation where revaluation is not based on national policy, but government entity-specific policy.

BC 07 KSAP does not adopt Approach 1 because the choice of using fair value is concerned to make the government entity's Financial Statements more fluctuating because the impact of fair value must be reflected in surpluses and deficits. In addition, the use of fair value is concerned to reduce the conservatism of the government entity's Financial Statements.

BC 08 KSAP does not adopt Approach 3 because the flexibility to conduct revaluation as option 3 will lead to different revaluation policies between government entities and inconsistencies in the treatment of fixed assets.

BC 09 KSAP uses Approach 2 because it is in accordance with paragraph 36 where measurements made after initial recognition through revaluation of investment property can be made based on government regulations that apply nationally.

Transfers

BC 10 The measurement of the value of assets transferred to and from Investment Property will depend on the measurement of the value of the Investment Property and the assets transferred to and from the Investment Property. Since property, plant and equipment and inventories are also valued using the cost model, the transfer does not change the carrying amount of the transferred property. The use of carrying value at the time of transfer differs from IPSAS in consideration of aligning the valuation after initial acquisition of property, plant and equipment and inventories using carrying value.

Presentation

BC 11 IPSAS 16 Investment Property does not explain the presentation of Investment Property because the presentation refers to IPSAS 1 Presentation of Financial Statements, where paragraph 88 states that Investment Property is a separate minimum line item. SGAS 1 Presentation of Financial Statements does not state the minimum presentation in the front page of the financial statements. For this reason, the Committee includes the provisions for the presentation of investment property as a separate line item in the non-current assets group in paragraphs 57-58 of this standard.

Illustrative Decision Trees

(This illustration accompanies but is not part of SGAS Investment Property.)

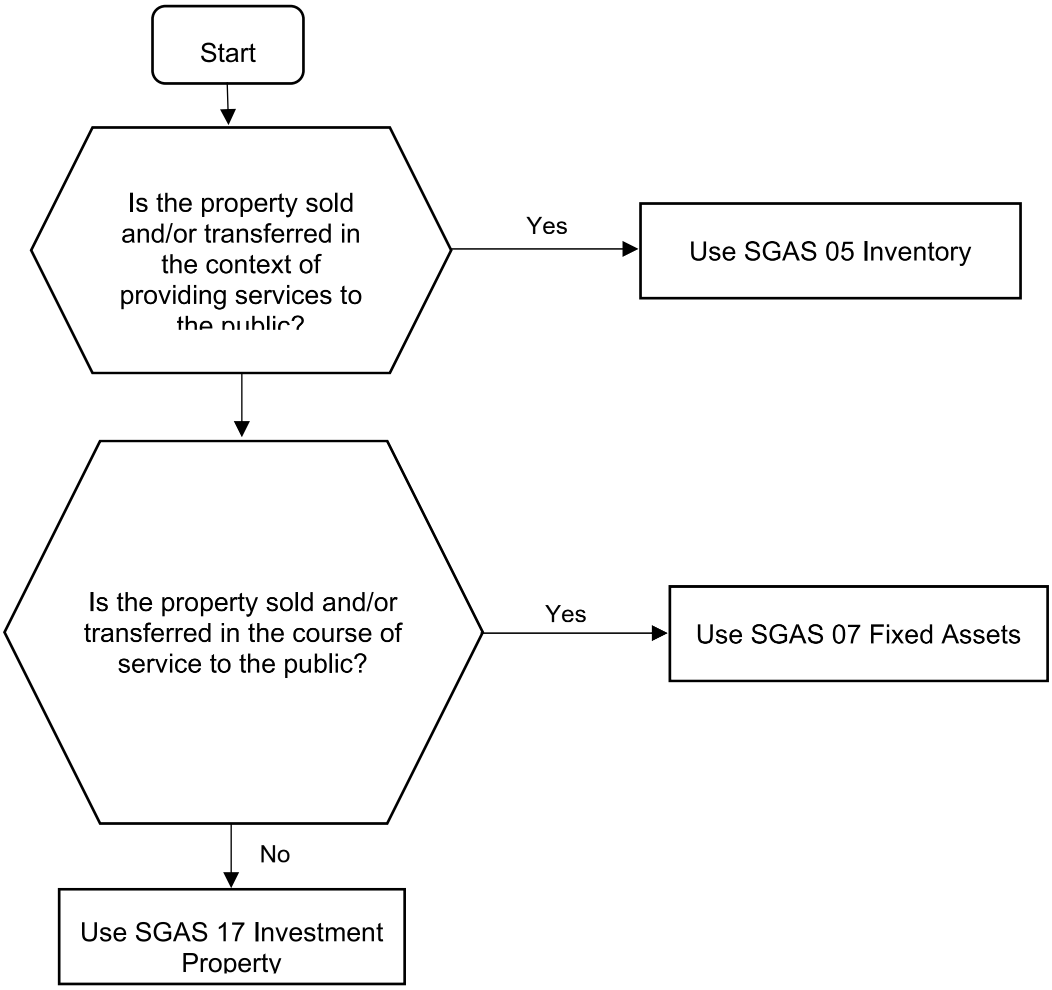


Illustration Example

(*This illustrative example complements the SGAS Investment Property, but is not part of the SGAS*)

IE 01 Acquisition of Investment Property through purchase

In 20x2, BLU XYZ purchased rental flats that will be rented out to the public. The flats were purchased at the end of 20x2 with a purchase price of Rp100,000.

Journal:

Investment Property	Rp100.000	
Cash at BLU		Rp100.000

IE 02 Acquisition of Investment Property through non-exchange transaction

In 20x2, the Government received a delivery of rental flats from a third party, where the fair value of the flats amounted to Rp55,000.

Journal:

Acceptance of rental flats from operator:

Investment Property	Rp55.000	
Grant revenue		Rp55.000

IE 03 Recognition of rental revenue

For investment property owned by BLU XYZ, monthly rental payments are obtained in cash in the amount of Rp. 1000.

Journal:

Cash at BLU	Rp1.000	
Rental Revenue		Rp1.000

IE 04 Measurement of Property Assets after initial recognition, without revaluation

In 2001, the government constructed a building that was leased to a third party for Rp25,000. The building has a useful life of 50 years. The presentation of the building in the 2010 financial reporting is Rp20,000, which is the acquisition value of Rp25,000 less accumulated depreciation of Rp5,000. [(Rp25,000/50) x 10 years]

Journal as of Dec 31, 2010:

Current year depreciation:

Depreciation expense	Rp500	
Accumulated depreciation		Rp500

Presentation on the Balance Sheet:

Investment Property		Rp25.000
Accumulated depreciation up to year 20x9: Rp500 x 9 =	Rp4.500	
Current period depreciation	500	
Accumulated depreciation up to the end of the current period	(5.000)	
Carrying value of Investment Property	Rp20.000	

IE 05 Revaluation of Government Assets

In 20x7, the government conducted a revaluation of Investment Property. One of the Investment Property revalued is a building and construction that has been leased to a third party. The building and construction assets were acquired in 20x0 for Rp15,000 with a useful life of 30 years and have been depreciated for 6 years with an accumulated depreciation value of Rp3,000. The results of the revaluation of the building and construction amounted to Rp14,000, so there was a capital appreciation of Rp2,000 from the carrying value of Rp12,000.

Journal:

Investment Property	Rp2.000	
Equity		Rp2.000

Depreciation Journal for Dec 31, 20x7:

Depreciation expense	Rp583,33	
Accumulated depreciation		Rp583,33

Current year depreciation calculation:

Carrying value (new) after revaluation Rp.14.000 Remaining useful life: 30 years - 6 years 24 years

Depreciation: Rp14.000 : 24 = Rp.583,33

IE 06 Change of use

In 20x1, in line with the new normal concept in the implementation of government activities, several government buildings that had been used for operational service purposes were leased to third parties to optimize asset utilization in increasing revenue for the state. The carrying value of these government buildings amounted to Rp50,000 (acquisition value of Rp125,000 less accumulated depreciation of Rp75,000).

Journal:

Investment Property	Rp125.000	
Building and Construction Accumulation	75.000	
Building and Construction		Rp125.000
Accumulated Investment Property		75.000

IE 07 Release

In 20x4, the Central Government delivered over a Building and Construction to the Local Government. The building is leased to a third party and has been presented as Investment Property in the government financial statements. The acquisition value of the building is Rp12,000 and the accumulated depreciation is Rp10,000. From the perspective of the Central Government, the journal is as follows:

Journal:

Accumulated Investment Property	Rp10.000	
Surplus/Deficit on disposal of Investment Property	2.000	
Investment Property		Rp12.000

Differences with IPSAS 16

SGAS 17: *Investment* Property is prepared in accordance with *International Public Sector Accounting Standard* (IPSAS) 16 - *Investment Property*, which includes revisions of IPSAS issued up to January 31, 2020, except:

1. Paragraph 8, the regulation on investment property under *operating lease*, is not referred to because the regulation on operating lease has not been applied to government assets.
2. Paragraph 11, an explanation of administrative arrangements such as an entity controlling assets legally owned by another entity, is not referenced.
3. Paragraphs 16 and 17, explaining that assets managed by others are not classified as investment properties, are not referenced.
4. Paragraph 33, which explains that if an entity records investment property at fair value on initial recognition, it is required to decide whether to use fair value or acquisition value for expenditures after initial acquisition, is not referenced.
5. Paragraphs 39, 40 and 41 on the explanation of accounting policy on measurement after initial acquisition are not referred to.
6. Paragraphs 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 57, 58, 59, 60, 61, 62, 62A, 62B, 63 and 64 on setting the fair value of investment property are not referred to, because asset valuation in GAS uses acquisition value.
7. Paragraph 84 on *impairment* is not referred to, because there is no regulation related to SGAS Impairment of Assets.
8. Paragraph 85 on disclosures as IPSAS 13 *Leases* is not referred to, because there is no arrangement related to SGAS Leases.
9. Paragraphs 86, 87, 88, 89 and 90 on disclosure of the use of fair value are not referred to, because asset valuation in GAS uses acquisition value.
10. Paragraphs 91, 92, 93, 94, 95, 96, 98, 99 were deleted from IPSAS 16 *Investment Property* by the IPSASB.
11. Paragraph 103 on withdrawal is not referred to.

In this Standard, there are several additional standard paragraphs and explanatory paragraphs that are emphasized, namely:

1. Paragraph 6 as an additional paragraph of explanation on investment property.
2. Paragraph 14 in addition to the disclosures required by entities that lease investment properties.
3. Paragraphs 57, 58 and 59 which contain the presentation of investment property assets in government financial statements.

GOVERNMENT ACCOUNTING STANDARD STATEMENT NO. 18

REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

ACCRUAL BASIS GOVERNMENT ACCOUNTING STANDARD STATEMENT NUMBER 18 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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.

Statement of Government Accounting Standard 18: Revenue from Non-Exchange Transactions, comprising paragraphs 01 to 115 is accompanied with the Basis for Conclusions and Implementation Guide.

INTRODUCTION

Objective

1. The objective of this Standard is to prescribe requirements for the financial reporting of revenue arising from non-exchange transactions.

Scope

2. An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for revenue from non-exchange transactions.

3. Government revenue generally comes from non-exchange transactions such as:

(a) Taxes; and

(b) transfers (whether cash or noncash) include intergovernmental transfers, grants, debt forgiveness, fines, assistance, donations and gifts, and the difference between the transaction price (loan proceeds) and the fair value of concessionary loans.

4. The standard for revenue from exchange transactions is set out in a separate standard.

5. Governments may reorganize entities through mergers or separations. Revenue arising from asset transfers due to such reorganizations is not covered by this Standard.

DEFINITIONS

6. The following terms are used in this Standard with the meanings specified:

<u>Conditions on transferred assets</u> are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

<u>Control of an asset</u> arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives, and can exclude or otherwise regulate the access of others to that benefit.

<u>Expenses paid through the tax system</u> are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

<u>Fines</u> are economic benefits or service potential received or receivable by government entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event where the government and/or the House of Representatives/Local House of Representatives determine the event to be taxable.

Taxes are compulsory contributions to the state owed by individuals or entities that are compelling based on law, with no direct reward and are used for state purposes for the greatest prosperity of the people.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Non-Exchange Transactions

7. In some transactions, there is an exchange of goods or services that have approximately equal value. The exchange of goods or services is an exchange transaction that is regulated in a separate SGAS.

8. In other transactions, an entity will receive resources and provide no or nominal consideration directly in return. These are clearly non-exchange transactions and are addressed in this Standard. For example, taxpayers pay taxes because the tax law mandates the payment of those taxes. While the taxing government will provide a variety of public services to taxpayers, it does not do so in consideration for the payment of taxes.

9. There is a further group of non-exchange transactions where the entity may provide some consideration directly in return for the resources received, but that consideration does not approximate the fair value of the resources received. In these cases, the entity determines whether there is a combination of exchange and non-exchange transactions, each component of which is recognized separately.

10. There are also additional transactions where it is not immediately clear whether they are exchange or non- exchange transactions. In these cases an examination of the substance of the transaction will determine if they are exchange or non-exchange transactions. For example, the sale of goods is normally classified as an exchange transaction. If, however, the transaction is conducted at a subsidized price, that is, a price that is not approximately equal to the fair value of the goods sold, that transaction falls within the definition of a non-exchange transaction. In determining whether the substance of a transaction is that of a non-exchange or an exchange transaction, professional judgment is exercised. In addition, entities may receive trade discounts, quantity discounts, or other reductions in the quoted price of assets for a variety of reasons. These reductions in price do not necessarily mean that the transaction is a non-exchange transaction.

Revenue

11. Revenue comprises gross inflows of economic benefits or service potential received

and receivable by the reporting entity, which represents an increase in net assets/equity.

12. Where an entity incurs some cost in relation to revenue arising from a non-exchange transaction, the revenue is the gross inflow of future economic benefits or service potential, and any outflow of resources is recognized as a cost of the transaction. For example, if a reporting entity is required to pay delivery and installation costs in relation to the transfer of an item of plant to it from another entity, those costs are recognized separately from revenue arising from the transfer of the item of plant. Delivery and installation costs are included in the amount recognized as an asset.

Stipulations on Transferred Assets

13. Assets may be transferred with the expectation and/or understanding that they will be used in a particular way and, therefore, that the recipient entity will act or perform in a particular way. Where laws, regulations, or binding arrangements with external parties impose terms on the use of transferred assets by the recipient, these terms are stipulations, as defined in this Standard. A key feature of stipulations, as defined in this Standard, is that an entity cannot impose a stipulation on itself, whether directly or through an entity that it controls.

14. Stipulations relating to a transferred asset may be either conditions or restrictions. While conditions and restrictions may require an entity to use or consume the future economic benefits or service potential embodied in an asset for a particular purpose (performance obligation) on initial recognition, only conditions require that future economic benefits or service potential be returned to the transferor in the event that the stipulation is breached (return obligation).

15. Stipulations are enforceable through legal or administrative processes. If a term in laws or regulations or other binding arrangements is unenforceable, it is not a stipulation as defined by this Standard. Constructive obligations do not arise from stipulations. SGAS, Provisions, Contingent Liabilities and Contingent Assets, establishes requirements for the recognition and measurement of constructive obligations.

Conditions on Transferred Assets

16. Conditions on transferred assets (hereafter referred to as conditions) require that the entity either consume the future economic benefits or service potential of the asset as specified, or return future economic benefits or service potential to the transferor in the event that the conditions are breached. Therefore, the recipient incurs a present obligation to transfer future economic benefits or service potential to third parties when it initially gains control of an asset subject to a condition. This is because the recipient is unable to avoid the outflow of resources, as it is required to consume the future economic benefits or service potential embodied in the transferred asset in the delivery of particular goods or services to third parties, or else to return to the transferor future economic benefits or service potential. Therefore, when a recipient initially recognizes an asset that is subject to a condition, the recipient also incurs a liability.

17. As an administrative convenience, a transferred asset, or other future economic benefits or service potential, may be effectively returned by deducting the amount to be returned from other assets due to be transferred or other purposes. The reporting entity will still recognize the gross amounts in its financial statements, that is, the entity will recognize a reduction in assets and liabilities for the return of the asset under the terms of the breached condition, and will reflect the recognition of assets, liabilities, and/or revenue for the new

transfer.

Restrictions on Transferred Assets

18. Restrictions on transferred assets (hereafter referred to as restrictions) do not include a requirement that the transferred asset, or other future economic benefits or service potential, is to be returned to the transferor if the asset is not deployed as specified. Therefore, gaining control of an asset subject to a restriction does not impose on the recipient a present obligation to transfer future economic benefits or service potential to third parties when control of the asset is initially gained. Where a recipient is in breach of a restriction, the transferor, or another party, may have the option of seeking a penalty against the recipient, by, for example, taking the matter to a court or other tribunal, or through an administrative process such as a directive from a government minister or other authority, or otherwise. Such actions may result in the entity being directed to fulfill the restriction or face a civil or criminal penalty for defying the court, other tribunal, or authority. Such a penalty is not incurred as a result of acquiring the asset, but as a result of breaching the restriction.

Substance Over Form

19. In determining whether a stipulation is a condition or a restriction, it is necessary to consider the substance of the terms of the stipulation and not merely its form. The mere specification that, for example, a transferred asset is required to be consumed in providing goods and services to third parties or be returned to the transferor is, in itself, not sufficient to give rise to a liability when the entity gains control of the asset.

20. In determining whether a stipulation is a condition or restriction, the entity considers whether a requirement to return the asset or other future economic benefits or service potential is enforceable, and would be enforced by the transferor. If the transferor could not enforce a requirement to return the asset or other future economic benefits or service potential, the stipulation fails to meet the definition of a condition, and will be considered a restriction. If past experience with the transferor indicates that the transferor never enforces the requirement to return the transferred asset or other future economic benefits or service potential when breaches have occurred, then the recipient entity may conclude that the stipulation has the form but not the substance of a condition, and is, therefore, a restriction. If the entity has no experience with the transferor, or has not previously breached stipulations that would prompt the transferor to decide whether to enforce a return of the asset or other future economic benefits or service potential, and it has no evidence to the contrary, it would assume that the transferor would enforce the stipulation and, therefore, the stipulation meets the definition of a condition.

21. The definition of a condition imposes on the recipient entity a performance obligation – that is, the recipient is required to consume the future economic benefits or service potential embedded in the transferred asset as specified, or return the asset or other future economic benefits or service potential to the transferor. To satisfy the definition of a condition, the performance obligation will be one of substance not merely form, and is required as a consequence of the condition itself. A term in a transfer agreement that requires the entity to perform an action that it has no alternative but to perform may lead the entity to conclude that the term is in substance neither a condition nor a restriction. This is because, in these cases, the terms of the transfer itself do not impose on the recipient entity a performance obligation.

22. To satisfy the criteria for recognition as a liability, it is necessary that an outflow of

resources will be probable, and performance against the condition is required and is able to be assessed. Therefore, a condition will need to specify such matters as the nature or quantity of the goods and services to be provided or the nature of assets to be acquired as appropriate and, if relevant, the periods within which performance is to occur. In addition, performance will need to be monitored by, or on behalf of, the transferor on an ongoing basis. This is particularly so where a stipulation provides for a proportionate return of the equivalent value of the asset if the entity partially performs the requirements of the condition, and the return obligation has been enforced if significant failures to perform have occurred in the past.

23. In some cases, an asset may be transferred with the condition that it must be returned to the transferor if a specified future event does not occur. In such cases, a return obligation does not arise until it becomes evident that the condition will not be met, and a liability is not recognized until the recognition criteria for a liability have been satisfied.

24. However, recipients will need to consider whether these transfers are in the nature of an advance receipt. In this Standard, advance receipt refers to resources received prior to a taxable event or a transfer arrangement becoming binding. Advance receipts give rise to an asset and a present obligation because the transfer arrangement has not yet become binding. Where such transfers are in the nature of an exchange transaction, they will be dealt with in accordance with SGAS on Revenue from Exchange Transactions.

Taxes

25. Taxes are the major source of revenue for many governments and other government entities. Taxes are defined in paragraph 6 as a compulsory contribution to the state owed by individuals or entities that are compelling based on law, with no direct reward and used for state purposes for the greatest prosperity of the people.

26. Tax laws and regulations establish the government's right to collect taxes, determine the basis for tax calculation, and set procedures for tax administration, including the calculation of tax receivables and ensuring payment is received. In Indonesia, based on tax laws and regulations, a self-assessment system is applied. Under this system, taxpayers generally provide details and evidence of taxable activities, as well as the amount of tax receivable by the government. Arrangements for tax collection vary widely but are typically designed to ensure that the government receives payments regularly without resorting to legal action. Tax laws are usually strictly enforced, and taxpayers who breach them are subject to severe penalties.

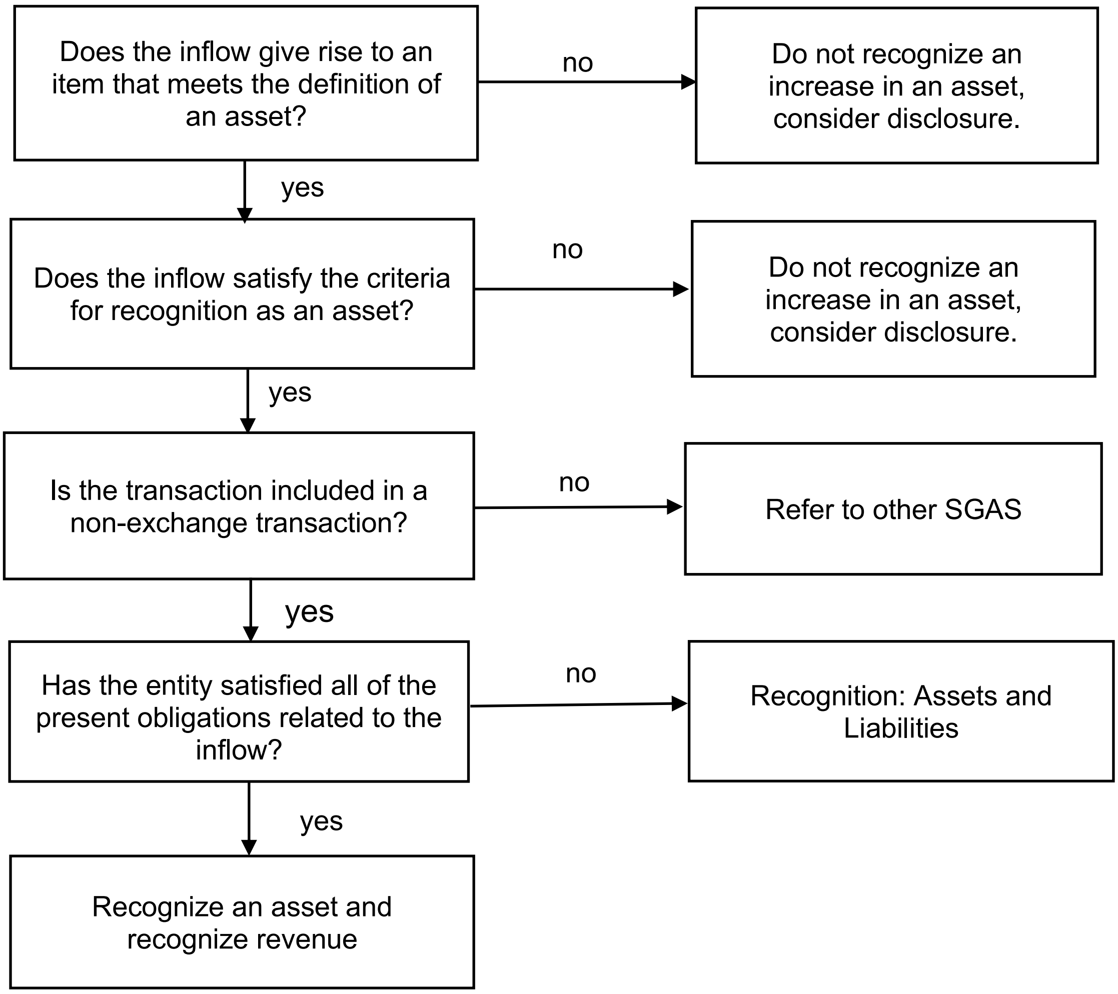
27. Advance receipts, being amounts received in advance of the taxable event, may also arise in respect of taxes.

ANALYSIS OF THE INITIAL INFLOW OF RESOURCES FROM NON-EXCHANGE TRANSACTIONS

28. An entity recognizes an asset arising from a non-exchange transaction when it gains control of resources that meet the definition of an asset and satisfy the recognition criteria. In certain circumstances, such as when a creditor forgives a liability, a decrease in the carrying amount of a previously recognized liability may arise. In this case, instead of recognizing an increase in assets, the entity records a reduction in liabilities. In some situations, gaining control of an asset may also result in the recognition of a liability. Consistent with the approach set out in this Standard, entities analyze non-exchange transactions to determine which elements of financial statements will be recognized as a result of the transaction. The following

flowchart illustrates the analytical process undertaken by an entity when there is an inflow of resources to determine whether revenue can be recognized.

Illustration of the Analysis of Initial Inflows of Resources



Notes:

(1) The flowchart is illustrative only, it does not take the place of this Standard. It is provided as an aid to interpreting this Standard.

(2) In certain circumstances, such as when a creditor forgives a liability, a decrease in the carrying amount of a previously recognized liability may arise. In these cases, instead of recognizing an asset, the entity decreases the carrying amount of the liability.

(3) In determining whether the entity has satisfied all of the present obligations, the application of the definition of conditions on a transferred asset, and the criteria for recognizing a liability, are considered.

RECOGNITION OF ASSETS

29. Assets referred in this SGAS are assets as defined in SGAS 01 Presentation of Financial Statement.

30. An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset shall be recognized as an asset when, and only when:

(a) ***It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and***

(b) ***The fair value of the asset can be measured reliably.***

CONTROL OF AN ASSET

31. The ability to exclude or regulate others' access to the use of an asset is a crucial element of asset control, distinguishing assets owned by government entities from public goods that are accessible and usable by all entities. The government performs a regulatory function, such as regulating financial institutions or pension funds. However, this role does not automatically mean that pension funds meet the definition of a government asset or satisfy the criteria for asset recognition in the government's financial statements.

32. An announcement of an intention to transfer resources to a government entity is not of itself sufficient to identify resources as controlled by a recipient. For example, if a public school were destroyed by a forest fire and a government announced its intention to transfer funds to rebuild the school, the school would not recognize an inflow of resources (resources receivable) at the time of the announcement. In circumstances where a transfer agreement is required before resources can be transferred, a recipient entity will not identify resources as controlled until such time as the agreement is binding, because the recipient entity cannot exclude or regulate the access of the transferor to the resources. In many instances, the entity will need to establish enforceability of its control of resources before it can recognize an asset. If an entity does not have an enforceable claim to resources, it cannot exclude or regulate the transferor’s access to those resources.

PAST EVENT

33. Government entities generally acquire assets through purchases, construction, or other legitimate means. A past event that establishes control over an asset may result from a purchase, a taxable event, or a transfer. Transactions or events expected to take place in the future do not, by themselves, create an asset. For example, a plan to impose taxes is not considered a past event that results in an asset in the form of a claim against a taxpayer.

PROBABLE INFLOW OF RESOURCES

34. An inflow of resources is considered probable when it is more likely to occur than not. The entity bases this assessment on past experience with similar resource inflows and its expectations regarding the taxpayer or the entity transferring the asset. For example, when the central government (a) determines revenue-sharing funds to be transferred to local governments and (b) establishes this transfer in a regulation, the likelihood of the resource inflow occurring is greater than the likelihood of it not occurring.

CONTINGENT ASSETS

35. An item that possesses the essential characteristics of an asset, but fails to satisfy the criteria for recognition, may warrant disclosure in the notes as a contingent asset.

COMPONENTS OF EXCHANGE TRANSACTIONS AND NON-EXCHANGE TRANSACTIONS

36. Paragraphs 37 and 38 below indicate the conditions under which an entity has control over a resource that gives rise to future economic benefits or service potential.

37. Paragraphs 7 and 8 of this SGAS define exchange transactions and non-exchange transactions, and paragraph 9 states that a transaction may consist of two components, an exchange component and a non-exchange component.

38. When an asset is acquired in a transaction that has an exchange component and a non-exchange component, an entity recognizes the exchange component based on the principles and requirements of other SGAS. The non-exchange component is recognized based on the principles and requirements under this SGAS. In determining whether a transaction is identified as an exchange component or a non-exchange component, the professional judgment of the user of the standard is required. If it is not possible to distinguish between an exchange component and a non-exchange component, the transaction is treated as a non-exchange transaction.

MEASUREMENT OF ASSETS ON INITIAL RECOGNITION

39. An asset acquired through a non-exchange transaction shall initially be measured at its current value as at the date of acquisition.

RECOGNITION OF REVENUE FROM NON-EXCHANGE TRANSACTIONS

40. An inflow of resources from a non-exchange transaction recognized as an asset shall be recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

41. As an entity satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it shall reduce the carrying amount of the liability recognized and recognize an amount of revenue equal to that reduction.

42. When an entity recognizes an increase in net assets as a result of a non-exchange transaction, it recognizes revenue. If it has recognized a liability in respect of the inflow of resources arising from the non-exchange transaction, when the liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, it recognizes revenue. If an inflow of resources satisfies the definition of contributions from owners, it is not recognized as a liability or revenue.

43. The timing of revenue recognition is determined by the nature of the conditions and their settlement. For example, if a condition specifies that the entity is to provide goods or services to third parties, or return unused funds to the transferor, revenue is recognized as goods or services are provided.

MEASUREMENT OF REVENUE FROM NON-EXCHANGE TRANSACTIONS

44. Revenue from non-exchange transactions shall be measured at the amount of the increase in net assets recognized by the entity.

45. When, as a result of a non-exchange transaction, an entity recognizes an asset, it also recognizes revenue equivalent to the amount of the asset measured in accordance with paragraph 39, unless it is also required to recognize a liability. Where a liability is required to

be recognized it will be measured in accordance with the requirements of paragraph 53, and the amount of the increase in net assets, if any, will be recognized as revenue. When a liability is subsequently reduced, because the taxable event occurs, or a condition is satisfied, the amount of the reduction in the liability will be recognized as revenue.

PRESENT OBLIGATIONS RECOGNIZED AS LIABILITIES

46. A present obligation arising from a non-exchange transaction that meets the definition of a liability shall be recognized as a liability when, and only when:

(a) ***It is probable that an outflow of resources embodying future economic benefits or service potential will be required to settle the obligation; and***

(b) ***A reliable estimate can be made of the amount of the obligation.***

Present Obligation

47. A present obligation is a duty to act or perform in a certain way, and may give rise to a liability in respect of any non-exchange transaction. Present obligations may be imposed by stipulations in laws or regulations or binding arrangements establishing the basis of transfers. They may also arise from the normal operating environment, such as the recognition of advance receipts.

48. In many instances, taxes are levied and assets are transferred to entities in non-exchange transactions pursuant to laws, regulation, or other binding arrangements that impose stipulations that they be used for particular purposes. For example:

(a) Taxes, the use of which is limited by laws or regulations to specified purposes;

(b) transfers, established by a binding arrangement that includes conditions:

  i. From local governments to provincial, state or local governments;
  ii. From state/provincial governments to local governments;
  iii. From governments to other government entities;
  iv. To governmental agencies that are created by laws or regulation to perform specific functions with operational autonomy, such as statutory authorities or local boards or authorities; and
  v. From donor agencies to governments or other government entities.

49. In the normal course of operations, a reporting entity may accept resources prior to a taxable event occurring. In such circumstances, a liability of an amount equal to the amount of the advance receipt is recognized until the taxable event occurs.

50. If a reporting entity receives resources prior to the existence of a binding transfer arrangement, it recognizes a liability for an advance receipt until such time as the arrangement becomes binding.

Conditions on a Transferred Asset

51. Conditions on a transferred asset give rise to a present obligation on initial recognition that will be recognized in accordance with paragraph 46.

52. Stipulations are defined in paragraph 6. Paragraphs 13–24 provide guidance on determining whether a stipulation is a condition or a restriction. An entity analyzes any and all stipulations attached to an inflow of resources, to determine whether those stipulations impose conditions or restrictions.

Measurement of Liabilities on Initial Recognition

53. The amount recognized as a liability shall be the best estimate of the amount required to settle the present obligation at the reporting date.

54. The estimate takes account of the risks and uncertainties that cause the liability to be recognized, as regulated in the SGAS on Provisions, Contingent Liabilities, and Contingent Assets.

TAXES

55. An entity shall recognize an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

56. Resources arising from taxes satisfy the definition of an asset when the entity controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

57. In the event that assets derived from tax transactions have been recognized and recorded, but there is a refund of tax overpayment because the amount of tax that should be paid by the taxpayer is less than the amount of tax previously paid, the refund of excess tax revenue shall be deducted from tax revenue in the period in which the refund occurs.

58. Taxes satisfy the definition of non-exchange transaction because the taxpayer transfers resources to the government, without receiving approximately equal value directly in exchange. While the taxpayer may benefit from a range of social policies established by the government, these are not provided directly in exchange as consideration for the payment of taxes.

The Taxable Event

59. An event is categorized as a taxable event if it meets the requirements of having a taxpayer and a tax object as defined by laws and regulations. Unless otherwise specified, the taxable event for each type of tax includes:

(a) Income tax is the earning of taxable income during the taxation period by the taxpayer;

(b) Value-added tax is the transfer or acquisition of taxable goods/services during the taxation period;

(c) Excise duty is the imposition of charges on goods with specific characteristics as determined by law;

(d) Import duty is the imposition of charges on goods brought into the customs territory;

(e) Land and Building Tax is when the Land and Building Tax imposition date has passed;

(f) Tax on Acquisition of Land and/or Building Rights is when tax on acquisition of land and/or building rights is imposed on individuals or entity;

(g) Tax on Parking Services is when parking tax is imposed on the organizer of off-street parking spaces, whether provided in connection with the main business or provided as a business, including the provision of motor vehicle storage;

(h) Tax on Advertising is when tax is imposed on all objects, tools, actions or media whose form and variety are designed for commercial purposes to introduce, encourage, promote or attract public attention to something; and

(i) Restaurant tax is imposed when food and/or beverages are provided for a fee. This includes establishments such as restaurants, cafeterias, canteens, food stalls, bars, and similar businesses, as well as catering services.

Advance Receipts of Taxes

60. Consistent with the definitions of assets, liabilities, and the requirements of paragraph 55, resources for taxes received prior to the occurrence of the taxable event are recognized as an asset and a liability (advance receipts), because (a) the event that gives rise to the entity's entitlement to the taxes has not occurred, and (b) the criteria for recognition of taxation revenue have not been satisfied (see paragraph 55), notwithstanding that the entity has already received an inflow of resources. Advance receipts in respect of taxes are not fundamentally different from other advance receipts, so a liability is recognized until the taxable event occurs. When the taxable event occurs, the liability is discharged and revenue is recognized.

Measurement of Assets Arising from Taxation Transactions

61. Paragraph 39 requires that assets arising from taxation transactions be measured at their fair value as at the date of acquisition. Assets arising from taxation transactions are measured at the best estimate of the inflow of resources to the entity. Reporting entities will develop accounting policies for the measurement of assets arising from taxation transactions that conform with the requirements of paragraph 42. The accounting policies for estimating these assets will take account of both the probability that the resources arising from taxation transactions will flow to the government, and the fair value of the resultant assets.

62. When there is a time gap between the occurrence of a taxable event and the actual collection of taxes, government entities can reliably measure the resulting tax-related assets based on applicable tax regulations. These regulations govern tax payments and reporting obligations.

63. In some cases, assets arising from taxation transactions and the related revenue can only be reliably measured in a period after the taxable event has occurred. However, there are exceptions where multiple financial reporting periods may pass before the taxable event results in resources that meet the definition and recognition criteria of an asset due to their future economic benefits or service potential. As a result, these resources do not meet the recognition criteria until the payment is received.

Expenses Paid Through the Tax System and Tax Expenditures

64. Taxation revenue shall be determined at a gross amount. It shall not be reduced for expenses paid through the tax system.

65. The government may implement a system that allows taxpayers to make payments conveniently, such as through cash payments, electronic transactions, or deposit arrangements. Additionally, the government may establish a system that enables the settlement of taxpayer obligations beyond tax liabilities, where payments are processed through the tax system, even though these obligations are actually government expenses. For

example, if the government provides subsidies for health insurance premiums, these payments could be offset against taxpayers' tax liabilities. In this case, the subsidy payment does not reduce reported tax revenue. Instead, the tax revenue recognized by the government remains at its gross amount, including the value of the subsidy paid to the respective taxpayers.

66. Tax revenue does not include tax expenditure.

67. In most jurisdictions, governments use the tax system to encourage certain financial behavior and discourage other behavior. For example, in some jurisdictions, homeowners are permitted to deduct mortgage interest and property taxes from their gross income when calculating tax-assessable income. These types of concessions are available only to taxpayers. If an entity (including a natural person) does not pay tax, it cannot access the concession. These types of concessions are called tax expenditures. Tax expenditures are foregone revenue, not expenses, and do not give rise to inflows or outflows of resources – that is, they do not give rise to assets, liabilities, revenue, or expenses of the taxing government.

68. Tax expenditures represent foregone tax revenue resulting from tax concessions granted by the government. They are not expenses and do not lead to resource inflows or outflows. Therefore, tax expenditures do not give rise to assets, liabilities, revenue, or expenses for the taxing government.

69. The key distinction between expenses paid through the tax system and tax expenditures is that expenses paid through the tax system are available to recipients regardless of whether they pay taxes or use a specific tax mechanism. IPSAS 1 prohibits the offsetting of revenue and expenses unless explicitly allowed by another standard. Consequently, the offsetting of tax revenue and expenses paid through the tax system is not permitted.

TRANSFERS

70. ***Except as specified in paragraph 97, an entity shall recognize an asset in respect of a transfer when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.***

71. Transfers include intergovernmental transfers, debt forgiveness, fines, gifts and donations, grants (in the form of goods), and grants (in the form of services). All these types of transfers share a common characteristic, they involve the transfer of resources from one entity to another without providing approximately equal value in exchange and do not fall within the definition of taxes as specified in this Standard.

72. Transfers satisfy the definition of an asset when the entity controls the resources as a result of a past event (the transfer), and expects to receive future economic benefits or service potential from those resources. Transfers satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur, and their fair value can be reliably measured. In certain circumstances, such as when a creditor forgives a liability, a decrease in the carrying amount of a previously recognized liability may arise. In these cases, instead of recognizing an asset as a result of the transfer, the entity decreases the carrying amount of the liability.

73. An entity may obtain control of transferred resources either when the resources are received by the entity or when the entity has an enforceable right against the transferor.

74. Transfers satisfy the definition of non-exchange transactions because the transferor provides resources to the recipient entity without the recipient entity providing approximately equal value directly in exchange.

75. An entity analyzes all stipulations contained in transfer agreements to determine whether it incurs a liability upon receiving the transferred resources.

Measurement of Transferred Assets

76. As required by paragraph 39, transferred assets are measured at fair value at the date of acquisition. Entities develop accounting policies for the recognition and measurement of assets in accordance with the relevant SGAS. As previously stipulated, inventories, fixed assets, or investment property acquired through non-exchange transactions are initially measured at fair value at the date of acquisition in accordance with the provisions of SGAS 05 on Inventories, SGAS 07 on Fixed Assets, and SGAS 17 on Investment Property. Financial instruments, including cash and transfer receivables that meet the definition of financial instruments and other assets, are measured at fair value as per paragraph 39 and the applicable accounting policy.

Transfers Between Government Entities

77. Transfers between government entities mandated by laws or regulations, in the form of cash receipts or rights to receive cash, are recognized as revenue.

78. Transfers between government entities are non-exchange transactions because the entity receiving resources in the form of cash or the right to receive cash does not have an obligation to provide compensation of equal value in return.

Recognition of Transfer Revenue Between Government Entities

79. Transfer revenue in the form of cash, cash equivalents, or the right to receive cash is recognized when:

(a) there is an inflow of economic resources; or

(b) it is highly probable that an inflow of economic resources will occur.

80. Transfer revenue between government entities is recognized when there is an inflow of economic resources, such as cash or cash equivalents, or other forms, in accordance with the general asset recognition principles from the transferring entity.

81. Transfer revenue between government entities is also recognized if a law or regulation establishes an obligation for the transferring entity to recognize a liability.

Measurement of Transfer Revenue Between Government Entities

82. Transfer revenue between government entities is measured based on the cash or cash equivalents received by the recipient entity and/or the amount of unremitted funds recognized by the transferring entity. The value of cash or cash equivalents received is based on the transfer disbursement recorded in the recipient entity's account.

83. In cases where excess transfers occur, the surplus should be returned to the transferring entity. In practice, the excess transfer may be offset against future disbursements, reducing the cash received in subsequent years. If this occurs, transfer revenue is recorded at the amount that should have been received, and the excess is presented as a liability in the balance sheet at the reporting date.

Debt Forgiveness

84. Lenders may sometimes waive their right to collect a debt owed by a government entity, effectively canceling the debt. For example, the central government may forgive a loan owed by a local government. In such cases, the local government recognizes an increase in net assets as a result of the debt forgiveness by the central government.

85. An entity recognizes revenue from debt forgiveness when the previously recorded debt no longer meets the definition of a liability or satisfies the criteria for liability recognition.

86. Revenue arising from debt forgiveness is measured at the carrying amount of the forgiven debt.

Fines

87. Fines represent future economic benefits or service potential received or receivable by a government entity, as determined by a court, law enforcement body, or other authorized institution, as a consequence of a violation of applicable laws or regulations.

88. Fines typically require an individual or entity to pay a fixed amount of cash to the government and do not impose any obligations on the government that would qualify as a liability. As such, fines are recognized as revenue when they meet the definition and recognition criteria of an asset, as stated in paragraph 30.

Gifts, Donations, and Grants (Goods)

89. Gifts and donations are voluntary transfers of assets to a government entity, including cash, other financial assets, and services, generally without specific stipulations.

90. Gifts and donations are recognized as assets and revenue when it is probable that future economic benefits or service potential will flow to the government entity and when their fair value can be measured reliably.

91. The fair value of gifts and donations is determined based on the measurement of goods in-kind as specified in paragraph 96.

92. Grants are voluntary transfers of assets in the form of cash, other monetary assets, goods, or services provided by individuals or entities without specific stipulations or conditions.

93. Goods in-kind are tangible assets transferred to an entity in a non-exchange transaction.

94. Goods in-kind are recognized as assets and revenue when it is probable that future economic benefits or service potential will flow to the entity and when the fair value of the assets can be measured reliably.

95. If no conditions are attached to the receipt of a grant, revenue is recognized immediately. However, if conditions are attached, the entity recognizes a liability, which is subsequently reduced, and revenue is recognized as the conditions are met.

96. On initial recognition, goods in-kind are measured at their fair value at the date of acquisition, based on market prices or an appraisal valuation.

Grants (Services)

97. A government entity may, but is not required to, recognize services grant as revenue and as an asset.

98. Services grant refer to services provided by individuals or other entities to a government entity in a non-exchange transaction. These services meet the definition of an asset because the entity controls a resource that is expected to generate future economic benefits or service potential. However, such assets are immediately consumed, and a transaction of equal value is recognized to reflect the consumption of the services grant. For example, a public school that receives volunteer teaching services—where the fair value of these services can be reliably measured—may recognize an increase in an asset and revenue while simultaneously recognizing a decrease in an asset and an expense. Additionally, services grant may contribute to the construction of an asset, in which case the amount recognized as services grant is included in the cost of the asset under construction.

99. Government entities may receive services igrant under binding or non-binding schemes. Examples include:

(a) Technical assistance from other governments or international organizations;
(b) Public schools or universities receiving voluntary teaching services; or
(c) Local governments receiving voluntary healthcare services.

100. Some services grant do not meet the definition of an asset because the government entity lacks sufficient control over them. In other cases, the entity may have control but cannot reliably measure the fair value, making them ineligible for asset recognition. However, government entities may be able to measure the fair value of certain professional or other readily available services in national or international markets. In determining the fair value of services grant, an entity may conclude that the value of the services is not material.

101. Due to the many uncertainties surrounding services grant—including control and fair value measurement—this standard does not require their recognition. However, entities are encouraged to disclose the nature and types of services grant received during the reporting period in the Notes to the Financial Statements.

102. In developing an accounting policy for recognizing services grant, various factors must be considered, including their impact on the balance sheet, financial performance, and cash flow statement.

Advance Receipts of Transfers

103. Where a government entity receives resources before a transfer arrangement becomes binding, the resources are recognized as an asset when they meet the definition and criteria for asset recognition. Additionally, the entity recognizes an advance receipt liability if the transfer arrangement has not yet become binding. Advance receipts related to transfers are fundamentally no different from other advance receipts; therefore, a liability is recognized until the event specified in the agreement occurs. Once the specified event takes place and the conditions in the agreement are met, the entity recognizes revenue and reduces the liability accordingly.

Concessionary Loans

104. Concessionary loans are loans received by an entity at an interest rate lower than the prevailing market rate. The portion of the loan that is repayable, including interest, is considered an exchange transaction and is accounted for in accordance with the relevant financial instruments standard. An entity should assess whether any difference between the transaction price (loan proceeds) and the fair value of the loan at initial recognition (based on the financial instruments standard) is a non-exchange transaction in accordance with this

Standard.

105. Where an entity determines that the difference between the transaction price (loan proceeds) and the fair value of the loan at initial recognition is non-exchange revenue, the entity recognizes this difference as revenue, unless a present obligation exists that must be recognized as a liability. When the entity fulfills this present obligation, the liability is reduced, and an equal amount of revenue is recognized.

DISCLOSURES

106. An entity shall disclose either on the face of, or in the notes to, the general purpose financial statements:

(a) The amount of revenue from non-exchange transactions recognized during the period classified by major classes showing separately:

i. Tax revenue, showing the amount and major classes of taxes; and

ii. Transfer revenue, showing the amount and major classes of transfers.

(b) The amount of receivables recognized in respect of non-exchange revenue;

(c) The amount of liabilities recognized in respect of transferred assets subject to conditions;

(d) The amount of liability recognized in respect of concessionary loans is in accordance with the applicable terms.The amount of liabilities recognized in respect of concessionary loans subject to applicable conditions.

(e) The amount of advance receipts recognized in respect of non-exchange transactions.

(f) The amount of any liabilities forgiven.

107. An entity shall disclose in the notes to the general purpose financial statements:

(a) The accounting policies adopted for the recognition of revenue from non-exchange transactions.

(b) For major classes of revenue from non-exchange transactions.

(c) For major classes of taxation revenue.

(d) The nature and type of major classes of bequests, gifts, and donations, showing separately major classes of goods in-kind received.

108. Entities are encouraged to disclose the nature and type of major classes of in-kind grants (services), including those not recognized in the financial statements.

109. The disclosures required by paragraphs 106 and 107 assist government entities in meeting the objectives of financial reporting as set out in SGAS 01 Presentation of Financial Statements.

110. Disclosure of the major classes of revenue assists users to make informed judgments about the entity's exposure to particular revenue streams.

111. Conditions and restrictions limit the use of assets, impacting the entity's operations. Disclosure of (a) the amount of liabilities recognized in respect of conditions, and (b) the amount of assets subject to restrictions assists users in assessing the entity's ability to use its assets. Entities are encouraged to disaggregate by class the information required in paragraph 106(c).

112. Paragraph 106(e) requires entities to disclose the existence of advance receipts in respect of non-exchange transactions. These liabilities present a risk that the entity may need to sacrifice future economic benefits or service potential if the taxable event does not occur or if the transfer arrangement is not binding. Such disclosure helps report users assess future revenue streams and the entity's net asset position.

113. Paragraph 107(d) requires entities to disclose the nature and type of grants, showing separately the classification of goods acquired from confiscation or seizure. These resource inflows depend on the transferor, exposing the entity to future risks if such resources change significantly. Disclosure helps users assess future revenue streams and the net asset position.

114. Where in-kind services meet the definition and recognition criteria of an asset, entities may choose to recognize them and measure them at fair value. Paragraph 108 encourages disclosure of the nature and type of all in-kind services received, whether recognized or not. This helps users assess (a) the contribution of such services to achieving the entity's objectives during the reporting period; and (b) the entity's reliance on such services to achieve its objectives in the future.

EFFECTIVE DATE

115. ***This SGAS is effective for financial reporting on accountability for budget execution starting in fiscal year 2026. If an entity applies this statement for periods beginning before fiscal year 2026, it is required to disclose it.***

Basis for Conclusion

(*The Basis for Conclusion accompanies, but is not part of, SGAS on Revenue from Non-Exchange Transactions*)

Background

BC 01 A significant portion of government revenue comes from non-exchange transactions, primarily taxation and transfers. This SGASSGAS governs non-exchange transactions from the perspective of the government.

Standard-Setting Approach

BC 02 This SGAS establishes general principles for recognizing revenue from non-exchange transactions and provides guidance on the accounting treatment for the primary sources of government revenue.

Taxable Event

BC 03 This SGAS defines a taxable event as a past event that the government and legislative institutions have determined as subject to taxation. It notes that the taxable event is the earliest possible point at which assets and revenue from taxation transactions can be recognized, as it represents the past event that gives the government control over the asset.

BC 04 T h e general principle for recognizing revenue from non-exchange transactions states that an inflow of resources from a non-exchange transaction that is recognized as an asset should also be recognized as revenue unless the inflow results in an obligation for the government entity. The KSAP views tax reporting/declaration by taxpayers as, in essence, a declaration of the value of resources provided by the taxpayer to the government entity, fulfilling the criteria for asset recognition. Consequently, the submission of a tax return (SPT) is essentially a taxpayer's statement to the government entity regarding the tax amount due and its settlement.

Stipulations—Conditions

BC 05 This Standard states that stipulations related to transferred assets may take the form of conditions or restrictions. Such stipulations determine the extent to which an entity can utilize or consume the future economic benefits or service potential of the asset.

Transactions with Exchange and Non-Exchange Components

BC 06 A transaction may consist of both an exchange component and a non-exchange component. When a transaction contains both components, KSAP believes that these components should be identified and recognized separately. The purpose of distinguishing these components is to enhance the transparency of financial statements.

Measurement of Assets

BC 07 This Standard requires that assets acquired through non-exchange transactions be initially measured at their fair value as at the date of acquisition. KSAP agrees that using fair value at the acquisition date best represents the substance of the transaction. In an exchange transaction, the acquisition cost serves as a measure of fair value for the asset received. However, by definition, in a non-exchange transaction, the consideration provided for acquiring the asset is not approximately equal to its fair value. Fair value is the most reliable measure to reflect the actual value of the transaction. The initial measurement of assets acquired through non-exchange transactions aligns with the approach taken in SGAS 17, Investment Property, and SGAS 07, Accounting for Fixed Assets with unknown acquisition costs.

Intergovernmental Transfers

BC 08 Intergovernmental transfers, as regulated under this SGAS, refer to transfers mandated by laws and regulations, involving the receipt of cash or the right to receive cash that meets the definition of an asset and is recognized as revenue.

Measurement of Liabilities

BC 09 This SGAS requires that when an entity recognizes a liability related to an inflow of resources, the liability must initially be measured based on the best estimate of the amount required to settle the obligation at the reporting date. The measurement basis for liabilities is consistent with the SGAS on Provisions, Contingent Liabilities, and Contingent Assets.

Advance Receipts

BC 10 This SGAS requires entities that receive resources before a taxable event occurs, or before the conditions of a transfer are met, to recognize an asset and a corresponding liability of the same amount. This aligns with the accrual accounting principle, which recognizes revenue in the period when the underlying event that triggers revenue recognition occurs. Some perspectives suggest that resources received before a taxable event should be recognized as a liability only when there is a likelihood of an outflow of resources. KSAP maintains that revenue should not be recognized until the taxable event takes place, and in line with the transfer principle, resources received before the conditions of the transfer are met should be recognized as an asset and a liability.

Implementation Guidance

(*This implementation guidance accompanies SGAS Revenue from Non-Exchange Transactions, but is not part of SGAS)*

Difference between Taxation Period and Financial Reporting Period

IG 01 There are two conditions for recognizing revenue from tax transactions in accordance with paragraph 55, namely when the taxable event occurs and the asset recognition criteria are met. An entity recognizes tax revenue when both conditions are met. Revenue recognition as stipulated in paragraph 55 should be interpreted as recognition of tax revenue in the taxation period, not when the taxpayer makes tax payments or filings.

IG 02 Tax laws and regulations can regulate tax reporting after the end of the tax period. The government can determine the value of tax revenue after taxpayers make tax payments or reports. The government determines the value of tax revenue based on information held between the date of the financial statements and the date the financial statements are authorized for issue.

IG 03 The government may establish policies regarding the cut off and recognition criteria of revenue and assets arising from tax transactions based on this SGAS.

IG 04 In the event that the application of government accounting policies requires supporting readiness in the form of an accounting system, the government can prepare a plan for the application of SGAS in stages.

Measurement, Recognition, and Disclosure of Revenue from Non-Exchange Transactions

Income Tax (Paragraph 59)

IG 05 The Law on General Provisions and Procedures for Taxation (Undang-Undang KUP) requires taxpayers to file periodic tax returns no later than 20 days after the end of the tax period and to submit the annual income tax return within three to four months after the end of the tax year. Taxpayers must also pay any outstanding tax liability before filing the annual tax return. The government's financial reporting period ends on December 31, whereas the filing of the annual income tax return takes place after the financial reporting period has ended.

IG 06 The government controls the resources derived from tax revenue when a taxable event has occurred. At the end of the financial reporting period, the government recognizes assets and revenue related to income tax based on tax filings submitted by taxpayers during the reporting period, to the extent that the tax can be reliably measured. The Law on General Provisions and Procedures for Taxation (Undang-Undang KUP) grants the government entity the authority to issue tax assessments as the basis for collecting unpaid or underpaid taxes from taxpayers within a given tax period.

Measurement of Taxation Revenue (Paragraphs 60–62)

IG 07 The government levies income tax on the earnings of taxpayers. Tax assessments issued within the past five years are still supported by reliable data. The tax year follows the calendar year unless a taxpayer adopts a fiscal yeardifferent from the calendar year, and the financial reporting period runs from January 1 to December 31. Taxpayers are allowed to settle any outstanding tax liability until March 31 or April 30 of the following tax year. By law, the government is required to submit unaudited financial statements no later than March 31 of the following year.

Value Added Tax (Paragraph 59)

IG 08 The government imposes a Value Added Tax (VAT) on all taxable supplies of goods and services made by VAT-registered businesses within the tax period, as reported in tax returns. Tax returns must be submitted no later than the end of the following month.

IG 09 The government recognizes assets and revenue in the financial statements for the reporting period in which the taxable event occurs, as soon as the receivable assets and revenue from the taxation transaction can be reliably measured. In certain cases, the tax refund period may not coincide with the financial reporting period. In such cases, tax refunds are reported in the period in which they occur.

Excise Duties (Paragraph 59)

IG 10 The government imposes excise duties on specific goods, including imported goods. The obligation to pay excise duties depends on the type of goods imported and is set at a level to ensure that local products remain competitively priced compared to imports. Imported goods remain in bonded zones until importers fulfill their obligations. Importers are required to report to the Customs and Excise authority and pay the required duties. Most importers submit reports electronically and make payments via transfer before their goods arrive at customs.

IG 11 The government controls the resources when the taxable event occurs, which is when the goods have passed through the customs area. The government recognizes assets and revenue in the general-purpose financial statements during the reporting period in which the goods have cleared customs, or as soon as the excise duty receivable can be reliably measured.

Land and Building Tax (Paragraph 59)

IG 12 The government imposes a Land and Building Tax. Land and Building Tax revenue is derived from land and/or buildings owned, controlled, and/or utilized by individuals or entities.

IG 13 The government controls the resources from Land and Building Tax revenue when the taxable event has occurred. The government recognizes assets and revenue in the general-purpose financial statements during the reporting period in which the taxable event takes place.

Fees on Acquisition of Rights on Land and/or Building (Paragraph 58)

IG 14 The government imposes a tax on the acquisition of rights to land and/or buildings on legal acts or events that result in the acquisition of rights to land and/or buildings by individuals or entities. The rate of land and building rightsacquisition duty is set at a maximum of 5% (five percent) of the tax base. The rate and basis for the imposition of land and/or building rights acquisition fees are stipulated by Local Regulation.

IG 15 The government controls resources when a taxable event occurs, which is an act or legal event that results in the acquisition of rights to land and/or buildings by an individual or entity during the reporting period. The government recognizes assets and revenues in the general purpose financial statements in the reporting period in which the taxable event occurs.

Tax on Parking Services (Paragraph 59)

IG 16 Local governments impose taxes on all off-street parking operations, whether provided in connection with a business or provided as a business, including the provision of motor vehicle storage. The government sets the highest parking tax rate limit of the tax base. The parking tax rate and tax base are stipulated by Local Regulation.

IG 17 The government controls resources when the taxable event occurs, which is the operation of off-street parking lots during the reporting period. The government recognizes assets and revenues in the general purpose financial statements in the reporting period in which the taxable event occurs.

Advance Receipts of Taxation (Paragraph 60)

IG 18 Taxpayers may appeal disputed tax amounts or make payments for disputed tax amounts. Payments made by taxpayers to avoid penalties upon the issuance of an appeal decision are carried out in accordance with applicable laws and regulations.

IG 19 Resources received from taxpayers before the taxable event occurs are classified as advance receipts of tax. Inflows of resources that have not yet met the taxable event criteria do not qualify for recognition as taxation revenue.

Grants from the Central Government to Local Governments (Paragraphs 92–96)

IG 20 The central government provides a grant of Rp100 million to a local government to help restore its socioeconomic conditions. The local government is constitutionally required to implement various social programs but lacks sufficient resources to carry them out without assistance. There are no conditions attached to the grant.

IG 21 Since there are no conditions attached to the grant, the transfer is recognized as an asset and revenue in the general-purpose financial statements for the reporting period in which the grant is received by the local government.

Grant from the Central Government to a Local Government with Stipulations (Paragraph 95)

IG 22 The local government provides a grant of Rp10 million to a provincial government to support the improvement and maintenance of the mass transit system. Specifically, the funds received are required to be allocated as follows: 40% for the modernization of the existing railway system, 40% for a new railway system,and 20% for the procurement of supplies. Under the grant conditions, the funds must be used strictly as stipulated, and the provincial government is required to include disclosures in its general-purpose financial statements detailing how the grant has been utilized. The agreement specifies that the grant must be spent as designated within the current year or returned to the local government.

IG 23 The provincial government recognizes the grant as an asset. It also acknowledges a liability due to the stipulations attached to the grant. When the provincial government has met the required conditions—meaning it has incurred authorized expenditures as stipulated—it reduces the liability and recognizes revenue in the financial statements for the reporting period in which the obligation has been satisfied.

Transfer to a University with Restrictions (Paragraphs 19-24)

IG 24 The local government transfers 200 hectares of land in a major city to a university for the establishment of a university campus. The transfer agreement specifies that the land must be used exclusively for campus development.

IG 25 The university recognizes the land as an asset in its financial statements for the reporting period in which it obtains control over the land. The land is recognized at its fair value in accordance with SGAS 07 on Fixed Asset Accounting. The restriction does not meet the definition of a liability nor satisfy the criteria for liability recognition. Therefore, the university recognizes revenue related to the land in the financial statements for the reporting period in which the land is recognized as an asset.

Research Grant (Paragraphs 79-102)

IG 26 A corporation that manufactures cleaning products provides funding to a public university (reporting entity) to conduct research on the effectiveness of a specific chemical compound in quickly removing graffiti. The corporation stipulates that the research results must be shared with it before being made public and that it has the right to apply for a patent on the compound based on the research findings.

IG 27 This transaction qualifies as an exchange transaction. In return for the grant provided by the corporation, the public university delivers research services and an intangible asset—the rights (future economic benefits) to derive profit from the research findings. The applicable standards for this transaction include the SGAS on Revenue from Exchange Transactions and SGAS 14 on Intangible Asset Accounting.

Debt Forgiveness (Paragraph 83)

IG 28 The local government lends Rp20 million to a local government for the construction of a water treatment facility. As part of a policy initiative to improve access to clean water, the local government later decides to forgive the loan that had been previously granted to the local government. No specific conditions are attached to this debt forgiveness. The local government officially notifies the localgovernment of the loan forgiveness by sending a formal letter along with the loan documentation, which states that the loan has been waived.

IG 29 Upon receiving the debt forgiveness documentation from the local government, the local government derecognizes the loan liability and recognizes the amount as revenue in the financial statements for the reporting period in which the local government forgives the loan.

Purchase of Property with Exchange and Non-Exchange Components (Paragraphs 7-10, 36-38)

IG 30 A central government entity plans to build a school by purchasing land from a local government. The fair value of the land is Rp100 million, but the central government entity only pays 50% of that amount, or Rp50 million. The difference represents the local government's contribution to education. The central government entity concludes that the land purchase transaction consists of two components: an exchange transaction and a non-exchange transaction. The exchange component accounts for half of the land's value, while the non-exchange component represents the unpaid portion, which constitutes a contribution from the local government to the central government.

IG 31 In its general purpose financial statements for the reporting period in which the transaction occurs, the public school recognizes the land at Rp100 million (comprising Rp50 million in purchase cost and Rp50 million from the land transfer). The transaction results in a reduction of the local government's land assets by Rp50 million and the recognition of non-exchange revenue by the central government amounting to Rp50 million.

Fine (Paragraphs 86-87)

IG 32 A court ruling finds a company guilty of polluting a river. As a penalty, the court orders the company to clean up the pollution and pay a fine of Rp50 million. The company does not appeal the decision and agrees to pay the fine to the government.

IG 33 The government recognizes revenue of Rp50 million in its financial statements for the reporting period in which the fine is imposed.

Concessionary Loans (Paragraphs 103-104)

IG 34 An entity receives Rp6 million funding from a multi-lateral development agency to build 10 schools over the next 5 years. The funding is provided on the following conditions:

- Rp1 million of the funding need not be repaid, provided that the schools are built.
- Rp5 million of the funding is to be repaid as follows:
  - Year 1: no capital to be repaid
  - Year 2: 10% of the capital to be repaid
  - Year 3: 20% of the capital to be repaid
  - Year 4: 30% of the capital to be repaid
  - Year 5: 40% of the capital to be repaid
- Interest is charged at 5% per annum over the period of the loan (assume interest is paid annually in arrears). The market rate of interest for a similar loan is 10%.
- To the extent that schools have not been built, the funding provided should be returned to the donor (assume that the donor has effective monitoring systems in place and has a past history of requiring any unspent funds to be returned).
- The entity built the following schools over the period of the loan:
  - Year 1: 1 school completed
  - Year 2: 3 schools completed

- Year 3: 5 schools completed
- Year 4: 10 schools completed

Analysis

The entity has effectively received a grant of Rp1 million and a loan of Rp5 million (Note: An entity would consider whether the substance of the Rp1 million is a contribution from owners or revenue; assume for purposes of this example that the Rp1 million is revenue). It has also received an additional grant of Rp784,550 (which is the difference between the proceeds of the loan of Rp5 million and the present value of the contractual cash flows of the loan, discounted using the market related rate of interest of 10%).

The grant of Rp1 million + Rp784,550 is accounted for in accordance with this Standard and, the loan with its related contractual interest and capital payments, in accordance with the standard of financial instruments.

1. Initial Recognition:

Cash and cash equivalents	Rp6.000.000	
Loan		Rp4.215.450
Liability		1.784.550

2. Year 1

Liability	Rp178.455	
Non-exchange revenue		Rp178.455

(The value of Rp178,550 comes from the recognition of revenue and the reduction of liabilities resulting from the completion of one school out of a total obligation to build 10 schools, which is 1/10 of Rp1,784,550).

3. Year 2Liability Rp356.910

Non-exchange revenue		Rp356.910

(The value of Rp356,910 comes from the recognition of revenue and the reduction of liabilities resulting from the completion of three schools out of a total obligation to build 10 schools, or {(3/10 x Rp1,784,550) – Rp178,455 already recognized}.

4. Year 3

Liability	Rp535.365	
Non-exchange revenue		Rp535.365

(The value of Rp356,910 comes from the recognition of revenue and the reduction of liabilities resulting from the completion of five schools out of a total obligation to build 10 schools, or {(5/10 x Rp1,784,550) – Rp356,910}

5. Year 4

Liability	Rp892.275	
Non-exchange revenue		Rp892.275

(The value of Rp892,275 comes from the recognition of revenue and the reduction of the liability resulting from the completion of the obligation to build all the schools (5/10 x Rp1,784,550)

If the concessionary loan was granted with no conditions, the entity would recognize the following on initial recognition:

Cash and cash equivalents	Rp6.000.000	

1	Loan	Rp4.215.450
2	Liability	1.784.550

Differences WIth IPSAS

Revenue from Non-Exchange Transactions is prepared in accordance with International Public Sector Accounting Standards (IPSAS) 23 - Revenue from Non-Exchange Transactions, except:

1. Paragraphs 37-38 of IPSAS 23, contribution from owners, are not recognized in the management of the state budget. Government entities carry out accounting in the context of the implementation of the state budget, therefore the equity formed comes from tax levies, non-tax revenues or comes from grants.
2. Paragraph 43 of IPSAS 23 is not referred to because it has been clearly regulated in paragraph 39 of this SGAS and is only an explanation of paragraph 39.
3. The last sentence in paragraph 46 of IPSAS 23 relating to "contributions from owners" is not referred to as explanation no 1.
4. Paragraphs 61 and 62 of IPSAS 23 are not referred to, as they are not relevant to the prevailing regulations in Indonesia. In accordance with the provisions, taxes are levied by entities that have the authority to levy and are not compensated by transfers. In addition, tax is also not a contribution from the owner because the taxpayer is not granted the right to receive future economic benefits or potential services.
5. Paragraph 64 of IPSAS 23 is not referred to because tax legislation does not require that tax collection be for a specific purpose.
6. Paragraph 69 of IPSAS 23, measurement on a statistical basis is not referred to because there may be differences in the actual value of realized revenue and the calculation of revenue using a statistical model.
7. Paragraph 79 of IPSAS 23, sentence "Many arrangements to transfer resources become binding on all parties before the transfer of resources takes place. However, sometimes one entity promises to transfer resources, but fails to do so. Consequently only when (a) a claim is enforceable, and (b) the entity assesses that it is probable that the inflow of resources will occur, will assets, liabilities, and/or revenue be recognized. Until that time, the entity cannot exclude or regulate the access of third parties to the benefits of the resources proposed for transfer", is not referenced because in accordance with existing regulations, the transferee cannot make a claim against the transferor if the transferor has not fulfilled its obligations.
8. Paragraph 80 of IPSAS 23, because the transfer does not meet the definition of a "contribution from an owner".
9. Paragraph 86 of IPSAS 23, because government entities do not control other entities, so the elimination of debt also does not occur, therefore the elimination of the controlling entity's debt recognized as income is not referred to in this SGAS.
10. Paragraphs 90-92 of IPSAS 23 are not referenced as legacy transactions are not recognized in the Indonesian government.

11. Paragraph 104 of IPSAS 23, *pledge* in IPSAS 23 is not referred to, because it is not a transaction in government accounting in Indonesia and the degree of certainty cannot be measured reliably.
12. Paragraf 113 IPSAS 23, sebagaimana paragraf 69 IPSAS 23 yang tidak dirujuk, perhitungan dengan menggunakan model statistik kemungkinan berbeda dengan nilai aktual realisasi pendapatan yang diterima oleh entitas pemerintah.

In this Standard, there are several additional standard paragraphs and explanatory paragraphs that are emphasized, namely:

1. Added paragraph 57 related to the accounting treatment of excess tax revenue that is restituted, as stipulated in SGAS 10 Accounting Policies, Changes in Policies, Errors, Changes in Estimates and Discontinued Operations.
2. Adding arrangements regarding Intergovernmental Transfer Revenues as stipulated in the Law on Central and Local Fiscal Balance (paragraphs 75-81).

GOVERNMENT ACCOUNTING STANDARD
STATEMENT NO. 19

JOINT ARRANGEMENT

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

ACCRUAL BASIS GOVERNMENT ACCOUNTING STANDARDS
STATEMENT NUMBER 19
ACCOUNTING FOR JOINT ARRANGEMENT

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 5 context of the Conceptual Framework of the Government Accounting Standards.

INTRODUCTION

Objective

1. The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.

2. To meet the objective in paragraph 1, this Standard defines joint control and requires a governmententity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

Scope

3. This Standard applies to every government entity, both the central government and local governments that obtain budget based on APBN/APBD, excluding state/local enterprises, which are parties to a joint arrangement.

4. This Standard applies to arrangements involving two or more parties that have joint arrangement. Joint control in this standard requires that at least a government entity is a party to the joint arrangement.

DEFINITION

5. The following terms are used in this Standard with the meanings specified:

Relevant activities are those that significantly affect the benefits of the joint arrangement.

A separate vehicle is a separately identifiable financial structure, including separate legal entities or entities recognized by statute, regardless of whether those entities have a legal personality.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators.

A joint operator is a party to a joint operation that has joint control of that joint operation.

A joint arrangement is an arrangement of which two or more parties have joint control.

Binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to it as if it were in the form of a contract. It includes rights from contracts or other legal rights.

Joint control is the agreed sharing of control of an arrangement by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A party to a joint arrangement is an entity that participates in a joint arrangement, regardless of whether that entity has joint control of the arrangement.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.

A joint venturer is a party to a joint venture that has joint control of that joint venture.

A government entity is an accounting and/or reporting entity that obtains a budget based on APBN/APBD, which organizes accounting and financial reporting.

Joint Arrangements

6. A joint control is an arrangement of which two or more parties have joint control.

7. A joint arrangement has the following characteristics:

(a) The parties are bound by a binding arrangement, and

(b) The binding arrangement gives two or more of those parties joint control of the arrangement.

8. A joint arrangement is either a joint operation or a joint venture.

BINDING ARRANGEMENTS

9. Binding arrangements can be evidenced in several ways. A binding arrangement is in writing, in the form of a contract or documented discussions between the parties. Statutory mechanisms or statutory regulations such as legislative or executive authority can also create enforceable arrangements, similar to contractual arrangements, either:

(a) individual by the mechanism of the law or statutory regulations itself; or

(b) in conjunction with contracts between the parties.

JOINT CONTROL

10. Joint control are agreement to share control on joint arrangements agreed upon through binding arrangements. Joint control occurs when decisions on relevant activities require the unanimous consent of all parties sharing control.

11. A government entity that is a party to a joint arrangement shall assess whether the binding arrangement provides collective control to all parties or a group of parties. The parties, or a group of parties, control the joint arrangement collectively when they must act together to direct the activities of the joint arrangement that significantly affect the benefits. The activities of the joint arrangement that significantly affect the benefits are referred to as the relevant activities.

12. Joint control arises only when decisions about the relevant activities require the unanimous consent of the parties that collectively control the joint arrangement.An assessment of the existence of joint control by the parties to an arrangement is made by:

(a) Assessing whether the binding arrangement gives all or a group of parties collective control to direct the relevant activities, and

(b) Assessing whether the parties have joint control that requires unanimous consent.

13. In a joint arrangement, no single party controls the arrangement unilaterally. The requirement for unanimous consent means that each party with joint control can prevent the other parties, or a group of parties, from controlling the arrangement or making unilateral decisions without its agreement.

14. The arrangement may be a joint arrangement even if not all parties involved have joint control. Parties can be divided into parties that have joint control over a joint arrangement (joint operator or joint venturer) and a party that participates but does not have control. together by mutual arrangement.

15. A government entity uses judgment when assessing whether the parties, or a group of parties, have joint control. The government entity considers all facts and circumstances in assessing whether all or a group of parties have joint control of an arrangement.

16. If facts and circumstances change, the government entity shall reassess whether it still has joint control of the arrangement.

TYPES OF JOINT ARRANGEMENT

17. A government entity shall determine the type of joint arrangement in which it is involved. The classification of the joint arrangement as a joint operation or a joint venture is based on the rights and obligations of the parties to the joint arrangement.

18. A government entity uses judgment when assessing the rights and obligations arising from the arrangement to determine whether the joint arrangement is a joint operation or a joint venture, by considering the structure and legal form of the joint arrangement, the terms agreed by the parties in the binding arrangement or established by legislative or statutory regulations, and, when relevant, other facts and circumstances.

19. A framework agreement may set out general terms for undertaking one or more activities that bind the parties. The framework agreement may require the parties to establish different joint arrangements, in the form of joint operations and joint ventures, if the parties have different rights and obligations when undertaking different activities within the same framework agreement. As a result, joint operations and joint ventures can exist simultaneously when the parties undertake different activities as part of the same framework agreement.

20. ***If facts and circumstances change, a government entity shall reassess whether the type of joint arrangement in which it is involved has changed.***

FINANCIAL STATEMENTS OF PARTIES TO A JOINT ARRANGEMENT

Joint Operations

21. A joint operator shall recognize in relation to its interest in a joint operation:

(a) Its assets, including its share of any assets held jointly;

(b) Its liabilities, including its share of any liabilities incurred jointly;

(c) Its revenue from the sale of its share of the output arising from the joint operation;

(d) Its share of the revenue from the sale of the output by the joint operation; and

(e) Its expenses, including its share of any expenses incurred jointly; and

(f) expenditure, including its share of any expenditure incurred jointly.

22. A government entity that is a joint operator recognizes assets, liabilities, revenue, expenditures, and expenditures related to its interest in the joint operation in accordance with the relevant Statement of Government Accounting Standard.

23. Government entities that participate in but do not own joint control over, a joint operation, also records its interests in accordance with paragraphs 22-23 if the government entity has rights over the asset and responsibility for the liabilities associated with such joint operations.

24. A government entity that participates in a joint operation but does not have joint control and does not have rights to the assets and responsibilities for the liabilities associated with the joint operation, the government entity records its interest in the joint operation in accordance with the relevant Government Accounting Standards Statements.

Joint Ventures

25. A government entity that is a joint venturer shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with the applicable Statement of Government Accounting Standard on Investments, unless the government entity is exempted from applying the equity method as specified in that Standard.

26. A government entity that participates in, but does not have joint control of, a joint venture shall account for its interest in the joint arrangement in accordance with the relevant A government entity that participates in, but does not have joint control of, a joint venture shall account for its interest in the joint arrangement in accordance with the relevant Standard of Government Accounting.

TRANSITIONAL PROVISIONS

Joint Ventures—Transition from Proportionate Consolidation to the Equity Method

27. When changing from proportionate consolidation to the equity method, a government entity shall recognize its investment in the joint venture at the beginning of the period that is closest to that change. The initial investment shall be measured at the carrying amount of the assets and liabilities that were previously proportionately consolidated by the government entity.The opening balance of the investment determined in accordance with paragraph 28 is regarded as the deemed cost of the investment at initial recognition. A government entity shall apply the relevant Statement of Government Accounting Standard dealing with Investments to assess whether the investment is impaired, and shall recognize any impairment as an adjustment to equity at the beginning of the period that is closest to that change.

28. If the aggregation of all previously proportionately consolidated assets and liabilities results in a negative equity, the government entity shall assess whether it has a legal obligation related to the negative equity. If so, the government entity shall recognize the related liability. If the government entity concludes that it does not have a legal obligation related to the negative equity, it shall not recognize the liability but shall present the investment at nil value. The government entity shall disclose this fact in the Notes to the Financial Statements, along with the difference arising from the unrecognized negative equity in the investment in the joint venture at the beginning of the period closest to the change and at the time of initial application of this Standard.

29. A government entity shall disclose a breakdown of the assets and liabilities that have been reclassified into the investment balance for all joint ventures as at the

beginning of the period closest to the transition.

30. After initial recognition, a government entity shall account for and report its investment in the joint venture using the equity method in accordance with the applicable Statement of Government Accounting Standard on Investments.

Joint Operations - Transition from the Equity Method to Accounting for Assets and Liability

31. When changing from the equity method to the recognition of assets and liabilities in respect of its interest in a joint operation, a government entity, at the beginning of the immediately preceding period, shall derecognize the investment previously accounted for using the equity method and recognize its share of each asset and liability related to its interest in the joint operation.

32. A government entity shall determine its interest in the assets and liabilities of the joint operation based on its rights and obligations in a specified proportion in accordance with the binding arrangement. The entity shall measure the initial carrying amounts of the assets and liabilities by separating them from the carrying amount of the investment at the beginning of the immediately preceding period.

33. Any difference arising from the investment previously accounted for using the equity method, together with any other items that formed part of the entity's net investment in the arrangement, and the net amount of the assets and liabilities, including any goodwill, shall be recognized as an adjustment to equity at the beginning of the immediately preceding period if the net amount of the assets and liabilities is recognized higher or lower than the investment that was derecognized.

34. Government entities that change from the equity method to be the record keeper for assets and liabilities to reconcile between of derecognized investments with recognized assets and liabilities, together with the difference adjusted against equity at the next beginning of the period

DISCLOSURE

35. Items disclosed in the government's financial reports relating to joint arrangements include at least:

(a) The type of joint arrangement, whether it is a joint operation or a joint venture, and the binding arrangement that modify the type of joint arrangement if relevant;

(b) The relevant activities in the joint arrangement;

(c) The capital/equity commitments of the venturer in relation to its interest in the joint venture; and

(d) A list and description of significant matters in the joint venture and the proportion of ownership in the joint venture, including, among others, matters that may affect changes in the structure of the joint vehicle or changes in binding arrangements.

EFFECTIVE DATE

36. This Statement of Government Accounting Standards is effective for financial statements on accountability for budget execution starting from Budget Year 2026.

Application Guidance

(*The Application Guidance forms an integral part of the Statement of Government Accounting Standard (SGAS) on Joint Arrangements.*)

AG 01 The illustrative examples in this appendix describe hypothetical situations. While certain aspects of the examples may reflect actual fact patterns, all relevant facts and circumstances of a specific fact pattern must be evaluated when applying the Standard on Joint Arrangements.

Joint Arrangements

Binding Arrangements (paragraph 09)

AG 02 Consistent with the definition of binding arrangements in this Standard, the discussion of binding arrangements is also relevant to enforceable arrangements established by legislative or executive authority.

AG 03 When a joint arrangement is established through a separate vehicle (see paragraphs AG19–AG33), the binding arrangement, or certain aspects of the binding arrangement, may be embedded within the deed, charter, or the articles of association and by-laws of the separate vehicle.

AG 04 A binding arrangement sets out provisions for the parties participating in the activities subject to the arrangement, generally dealing with matters such as:

(a) The purpose, activities, and duration.

(b) The appointment of the board of commissioners, board of supervisors, board of directors, or an equivalent governing body.

(c) The decision-making process: matters requiring party decisions, the ownership rights of the parties, and the level of support required for such decisions. The decision-making process as reflected in the binding arrangement establishes joint control (see paragraphs AG5–AG11).

(d) The capital/equity or other contributions required from the parties.

(e) The allocation of assets, liabilities, revenue, expenses, and surplus or deficit to the parties.

Joint Control (paragraphs 10–17)

AG 05 In assessing whether a government entity has joint control of an arrangement, the entity shall first assess whether all the parties, or a group of the parties, collectively control the arrangement. When all the parties, or a group of the parties, are able collectively to direct the activities that significantly affect the benefits from the arrangement (i.e., relevant activities), they are considered to control the arrangement collectively.

AG 06 Once it has been concluded that all the parties, or a group of the parties, collectively control the arrangement, the government entity shall then assess whether it has joint control of the arrangement. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement. Judgment is required in assessing whether the arrangement is jointly controlled by all parties, a group of parties, or by just one party.

AG 07 Sometimes, the decision-making process agreed upon in the binding arrangement implicitly leads to joint control. For example, assume two parties form an arrangement in which each party holds 50 percent of the voting rights, and the binding arrangement requires at least 51 percent of the voting rights to make decisions about the relevant activities. In this case, the parties have implicitly agreed to joint control, because decisions about the relevant activities cannot be made without both parties' approval.

AG 08 In other cases, the binding arrangement may require a minimum proportion of voting rights to make decisions about relevant activities. When that minimum proportion can be achieved by more than one combination of the parties, then the arrangement is not a joint arrangement, unless the binding arrangement explicitly specifies which party (or combination of parties) must unanimously agree on decisions regarding the relevant activities.

Application Examples Example 1

Assume that three parties form an arrangement: A holds 50 per cent of the ownership rights, B holds 30 per cent, and C holds 20 per cent. The binding arrangement between A, B, and C specifies that at least 75 per cent of the ownership rights are required to make decisions about the relevant activities. Although A can block any decision, A does not control the arrangement because A needs B's agreement. The terms of the binding arrangement requiring at least 75 per cent of the ownership rights to make decisions about the relevant activities imply that A and B have joint control of the arrangement, as decisions about the relevant activities cannot be made without the agreement of both A and B.

Example 2

Assume an arrangement has three parties: A holds 50 per cent of the ownership rights, while B and C each hold 25 per cent. The binding arrangement between A, B, and C specifies that at least 75 per cent of the ownership rights are required to make decisions about the relevant activities. Although A can block all decisions, A does not control the arrangement because A needs the agreement of either B or C. In this example, A, B, and C collectively control the arrangement. However, there is more than one combination of parties that can agree to reach 75 per cent of the ownership rights (i.e., A and B or A and C). In such a situation, to be considered a joint arrangement, the binding arrangement must specify which combination of the parties is required to unanimously agree on decisions about the relevant activities.

Example 3

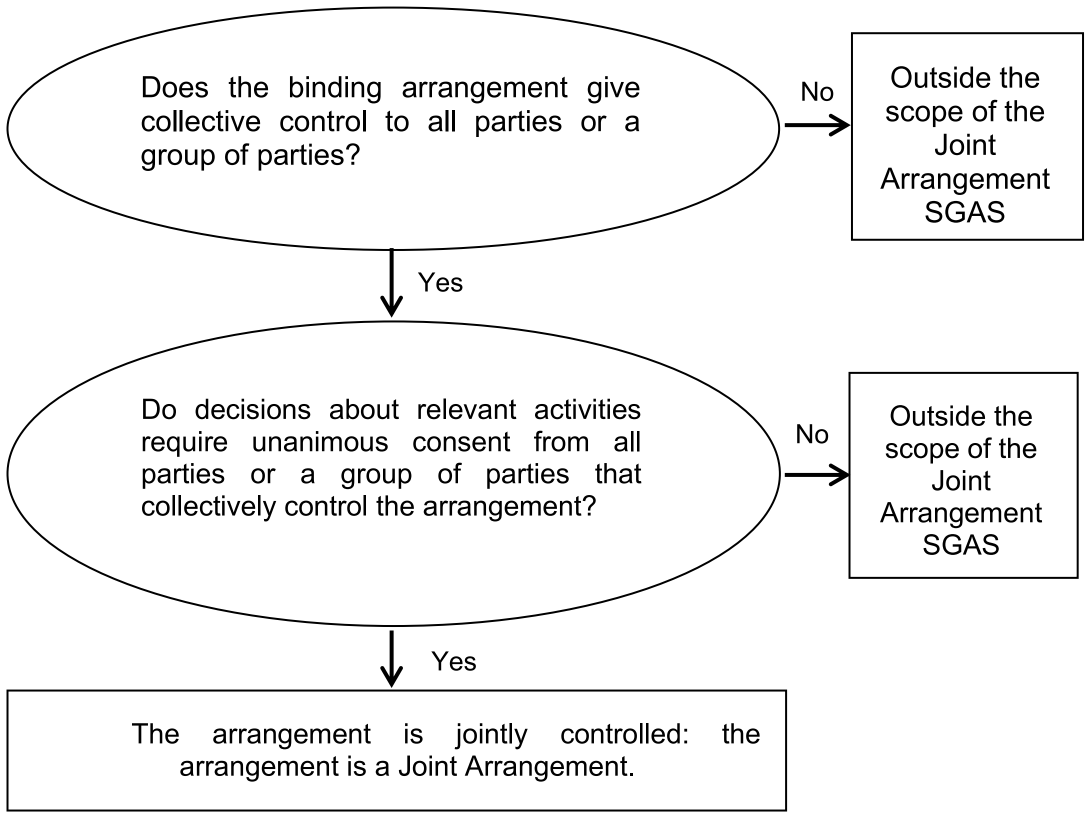
Assume an arrangement in which A and B each hold 35 per cent of the ownership rights, with the remaining 30 per cent being widely dispersed. Decisions about the relevant activities require approval by a majority of the ownership rights. A and B have joint control of the arrangement only if the binding arrangement specifies that decisions about the relevant activities require the agreement of both A and B.

AG 09 The requirement for unanimous consent means that any party with joint control can prevent other parties, or a group of other parties, from making unilateral decisions (about the relevant activities) without its agreement. If the unanimous consent requirement relates only to decisions that grant protective rights to a party, and not to decisions about the relevant activities, that party does not have joint control of the arrangement.

AG 10 A binding arrangement may include clauses on dispute resolution, such as arbitration. These provisions may allow decisions to be made without unanimous consent among the parties that have joint control. The existence of such provisions does not prevent the arrangement from being jointly controlled and, consequently, from being classified as a joint arrangement.

AG 11 When an arrangement falls outside the scope of this Standard, the government entity shall account for its interest in the arrangement in accordance with the relevant Statement of Government Accounting Standards.

Assessing Joint Control



Types of Joint Arrangements (paragraphs 18-21)

AG 12 Joint arrangements may be established for various purposes, such as a means for the parties to share costs and risks, to gain access to new technologies or markets, or to provide public services. Joint arrangements can be established through various legal structures and forms.

AG 13 Some arrangements do not require a separate vehicle, while others involve the establishment of a separate vehicle to carry out the activities subject to the arrangement.AG 14 The classification of joint arrangements under this Standard depends on the rights and obligations of the parties arising from the normal operations of the arrangement. This Standard classifies joint arrangements as either joint operations or joint ventures. An arrangement is classified as a joint operation when a government entity has rights to the assets and obligations for the liabilities relating to the arrangement. An arrangement is classified as a joint venture when a government entity has rights to the net assets of the arrangement. Paragraphs AG 16 to AG 33 set out the assessment procedures that government entities shall undertake to determine whether they have an interest in a joint operation or a joint venture.

Classification of a Joint Arrangement

AG 15 As stated in paragraph AG14, the classification of a joint arrangement requires the parties to assess the rights and obligations arising from the arrangement. In making the assessment, a government entity shall consider the following:

(a) The structure of the joint arrangement (see paragraphs AG16–AG21);

(b) When the joint arrangement is established through a separate vehicle:

  (i) The legal form of the separate vehicle (see paragraphs AG22–AG24);

  (ii) The terms of the binding arrangement (see paragraphs AG25–AG28); and

  (iii) If relevant, other facts and circumstances (see paragraphs AG29–AG33).

Structure of the Joint Arrangement

Joint Arrangements Not Established Through a Separate Vehicle

AG 16 A joint arrangement that is not established through a separate vehicle is classified as a joint operation. In this case, the binding arrangement sets out the parties' rights and obligations over the assets, liabilities, revenue, expenditures, and expenses related to the arrangement.

AG 17 The binding arrangement often outlines the nature of the activities subject to the arrangement and how the parties plan to jointly carry out such activities. For example, the parties may agree to jointly deliver services or produce a product, with each party being responsible for specific tasks, using its own assets and bearing its own liabilities. The binding arrangement may also specify how the common revenues, expenses, and costs are shared among the parties. In such a case, each joint operator recognizes in its financial statements the assets and liabilities used for the specific tasks, as well as its share of revenues, expenses, and costs in accordance with the binding arrangement.

AG 18 In other instances, the parties may agree to jointly operate and share assets. In this case, the binding arrangement specifies the parties' rights to the jointly operated assets, and how the output (goods/services produced from the joint operation), or the revenue from those assets and the operating costs, are to be shared among the parties. Each joint operator records its share of the jointly operated assets, its share of agreed liabilities, and its portion of the output, revenues, and expenses, in accordance with the binding arrangement.

Joint Arrangements Established Through a Separate Vehicle

AG 19 A joint arrangement in which the assets and liabilities are held in a separate vehicle may be classified as either a joint venture or a joint operation.

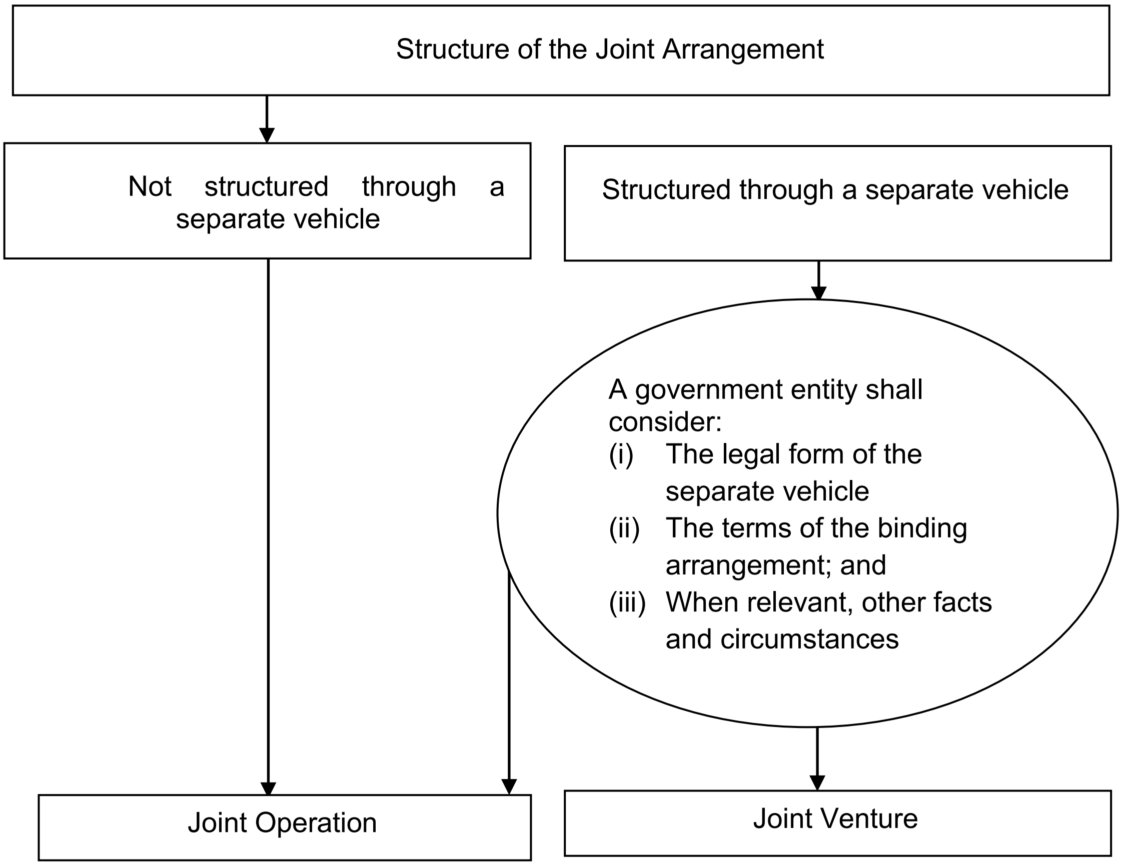
AG 20 A party's classification as a joint operator or a joint venturer is determined based on whether it has rights to the assets and obligations for the liabilities relating to the arrangement that are held in the separate vehicle.

AG 21 AG21. As stated in paragraph AG15, when parties establish a joint arrangement through a separate vehicle, they shall assess whether the legal form of the separate vehicle, the terms of the binding arrangement, and, if relevant, other facts and circumstances, provide the parties with either:

(a) Rights to the assets and obligations for the liabilities related to the arrangement (in which case the arrangement is a joint operation); or

(b) Rights to the net assets of the arrangement (in which case the arrangement is a joint venture).

Classification of Joint Arrangement: Assessment of the Rights and Obligations of the Parties Arising from the Arrangement



Legal Form of Separate Vehicle

AG 22 The legal form of the separate vehicle is relevant to consider when assessing the type of joint arrangement. The legal form helps in the initial assessment of the parties' rights to the assets and obligations for the liabilities in the separate vehicle, such as whether the parties have interests in the assets and obligations for the liabilities held in the separate vehicle.

AG 23 For example, the parties may conduct a joint arrangement through a separate vehicle whose legal form causes the vehicle to be treated as a separate entity on its own (i.e., the assets and liabilities held in the separate vehicle are the assets and liabilities of the separate vehicle itself, and not of the parties). In such cases, the assessment of rights and obligations given to the parties based on the legal form of the separate vehicle may indicate that the arrangement is a joint venture. However, the terms agreed by the parties in the binding arrangement (see paragraphs AG25–AG28) and, if relevant, other facts and circumstances (see paragraphs AG29–AG33) may override the assessment based on the legal form of the separate vehicle.

AG 24 The assessment of the rights and obligations given to the parties by the legal form of the separate vehicle may lead to a conclusion that the arrangement is a joint operation only if the legal form of the joint arrangement in the separate vehicle does not create separation between the parties and the separate vehicle—so that the assets and liabilities held in the separate vehicle are considered to be the assets and liabilities of the parties.

Assessing the Terms of the Binding Arrangement

AG 25 In general, the rights and obligations agreed to by the parties in the binding arrangement are consistent with, or do not contradict, the rights and obligations granted to the parties by the legal form of the separate vehicle.

AG 26 In certain cases, the parties use the binding arrangement to reverse or modify the rights and obligations granted based on the legal form of the separate vehicle.

Application Example Example 4

Assume that two parties enter into a joint arrangement through a separate legal entity. Each party holds a 50 percent ownership interest in the legal entity. The legal entity structure provides a separation between the entity and its owners, and as a result, the assets and liabilities held by the entity are those of the legal entity itself. In this case, the assessment of the rights and obligations conferred upon the parties through the legal form of the separate vehicle indicates that the parties have rights to the net assets of the arrangement.

However, the parties modify the corporate features of the legal entity through a binding arrangement such that each party has rights to the assets of the legal entity and is liable for its liabilities in specified proportions. These binding modifications to the corporate structure of the legal entity may result in the arrangement being classified as a joint operation.

AG 27 The following table compares typical provisions in the binding arrangements of parties to a joint operation with those of a joint venture. The examples of binding terms provided in the table are not exhaustive.

Assessing the Terms of the Binding Arrangement

	Joint Operation	Joint Venture
The terms of the binding arrangement	The binding arrangement provides the parties to the joint arrangement with rights to the assets, and obligations for the liabilities, relating to the arrangement.	The binding arrangement provides the parties to the joint arrangement with rights to the assets, and obligations for the liabilities, relating to the arrangement.

Rights to assets	The binding arrangement establishes that the parties to the joint arrangement share all interests (e.g., rights, title, or ownership) in the assets relating to the arrangement in a specified proportion (e.g., in proportion to the parties' ownership interest in the arrangement or in proportion to the activity carried out through the arrangement that is directly attributed to them).	The binding arrangement establishes that the assets brought into the arrangement or subsequently acquired by the joint arrangement are the arrangement's assets. The parties have no interests (i.e., no rights, title, or ownership) in the assetsof the arrangement.
Obligations for Liabilities	The binding arrangement establishes that the parties to the joint arrangement share all liabilities, obligations, costs, and expenses in a specified proportion (e.g., in proportion to the parties' ownership interest in the arrangement or in proportion to the activity carried out through the arrangement that is directly attributed to them).	The binding arrangement establishes that the joint arrangement is liable for the debts and obligations of the arrangement. The binding arrangement establishes that the parties to the joint arrangement are responsible for the arrangement only to the extent of their individual investments in the arrangement or their obligation to contribute unpaid capital or additional capital to the arrangement, or both.
	A binding arrangement stipulates that the parties to a joint arrangement are liable for claims brought by third parties.	A binding arrangement provides that the creditors of the joint arrangement have no right to sue any party in respect of the debts or obligations of the arrangement.

Revenues, expenses, surplus or deficit	The binding arrangement establishes the allocation of revenues and expenses on the basis of the relative performance of each party to the joint arrangement. For example, the binding arrangement might establish that revenues and expenses are allocated on the basis of the capacity that each party uses in a jointly operated plant, which could differ from their ownership interest in the joint arrangement. In other instances, the parties might have agreed to share the surplus or deficit relating to the arrangement on the basis of a specified proportion such as the parties' ownership interest in the arrangement. This would not prevent the arrangement from being a joint operation if the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement.	The binding arrangement establishes each party's share in the surplus or deficit relating to the activities of the arrangement.
Guarantee	The parties to joint arrangements are often required to provide guarantees to third parties that, for example, receive a service from, or provide financing to, the joint arrangement. The provision of such guarantees, or the commitment by the parties to provide them, does not, by itself, determine that the joint arrangement is a joint operation. The feature that determines whether the joint arrangement is a joint operation or a joint venture is whether the parties have obligations for the liabilities relating to the arrangement (for some of which the parties might or might not have provided a guarantee).	

AG 28 When the binding arrangement specifies that the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement, they are parties to a joint operation, without the need to consider other facts and circumstances (paragraphs AG 29 – AG 33) for the purpose of classifying the joint arrangement.

Assessing Other Facts and Circumstances

AG 29 When the terms of the binding arrangement do not specify that the parties have rights to the assets, and obligations for the liabilities, the parties shall consider other facts and circumstances to assess whether the arrangement is a joint operation or a joint venture.

AG 30 A joint arrangement may be formed through a separate vehicle whose legal form separates the parties from the separate vehicle. If the binding terms agreed upon by the parties do not specify the parties' rights to the assets and obligations for the liabilities, then consideration of other facts and circumstances may classify the arrangement as a joint operation when those facts and circumstances provide the parties with rights to the assets and obligations for the liabilities related to the arrangement.

AG 31 When the activities of a joint arrangement are primarily designed for the provision of output to the parties, this indicates that the parties have rights to substantially all the service potential or economic benefits of the assets of the arrangement. The parties often ensure their access to the output of the arrangement by preventing the sale of the output to third parties.

AG 32 The effect of an arrangement with such design and purpose is that the liabilities incurred by the arrangement are, in substance, settled by the cash flows received from the parties through their purchases of the output. When the parties are substantially the only source of cash flows contributing to the continuity of the arrangement's operations, this indicates that the parties have an obligation for the liabilities relating to the arrangement.

Application Example Example 5

Assume that two parties form a joint arrangement in a legal entity (Entity C) where each party has a 50 percent ownership interest. The purpose of the arrangement is to manufacture materials required by the parties for their respective production processes. The arrangement ensures that the parties operate the facility that produces the materials according to the quantity and quality specifications determined by the parties.

The legal form of Entity C (a legal entity) conducting the activities initially indicates that the assets and liabilities held in Entity C are the assets and liabilities of Entity C. The binding arrangement between the parties does not specify that the parties have rights to the assets or obligations for the liabilities of Entity C. Therefore, the legal form of Entity C and the terms of the binding arrangement indicate that the arrangement is a joint venture.

However, the parties also consider the following aspects of the arrangement:

(a) The parties have agreed to purchase all output produced by Entity C in a 50:50 ratio. Entity C cannot sell any of the output to third parties unless agreed upon by both parties in the arrangement. Because the purpose of the arrangement is to provide output required by the parties, sales to third parties are expected to be uncommon and immaterial.

(b) The price of the output sold to the parties is set by both parties at a level that ensures coverage of the production costs and administrative expenses incurred by Entity C. Based on this operating model, the arrangement is intended to operate at a break-even level.

From the fact pattern above, the following facts and circumstances are relevant:

(a) The obligation of the parties to purchase all output produced by Entity C reflects the exclusive dependence of Entity C on the parties for generating cash flows and, therefore, the parties have an obligation to fund the settlement of Entity C's liabilities.

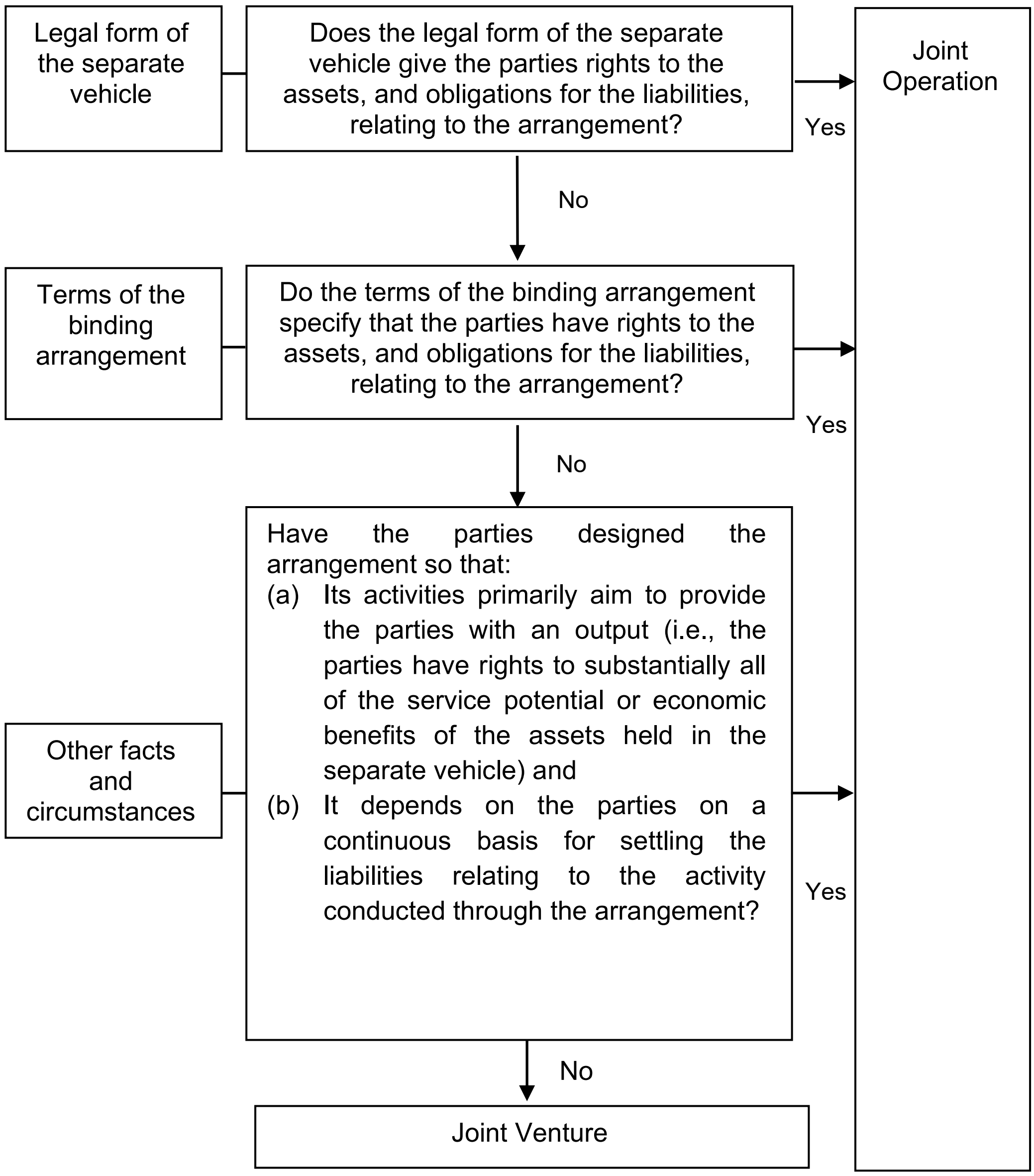
(b) The fact that the parties have rights to all output produced by Entity C means that the parties are consuming, and therefore have rights to, all the service potential or economic benefits of the assets of Entity C.

These facts and circumstances indicate that the arrangement is a joint operation. The conclusion regarding the classification of the joint arrangement in these circumstances would not change if, instead of the parties using their share of the output in a subsequent manufacturing process, they sold their share to third parties.

If the parties change the terms of the binding arrangement so that the arrangement can sell output to third parties, this would cause Entity C to assume demand, inventory, and credit risks. In that case, a change in the facts and circumstances would require a reassessment of the classification of the joint arrangement. Such facts and circumstances would indicate that the arrangement is a joint venture.

The following flow chart reflects the assessment an entity follows to classify an arrangement when the joint arrangement is structured through a separate vehicle:

Classification of a Joint Arrangement Structured Through a Separate Vehicle



Financial Statements of Parties to a Joint Arrangement (paragraphs 22-27) Accounting for Sales or Contributions of Assets to a Joint Operation

AG 33 When a government entity, acting as one of the joint operators, engages in a transaction, such as the sale or contribution of assets, with the joint operation, the government entity is conducting the transaction with the other parties to the joint operation. Therefore, the joint operator recognizes the surplus and deficit resulting from such a transaction only to the extent of the interests of the other parties in the joint operation.

AG 34 When such transactions provide evidence of a reduction in the net realizable value of the assets to be sold or contributed to the joint operation, or evidence of an impairment loss of those assets, those losses must be fully recognized by the joint operator.

Accounting for Purchases of Assets from a Joint Operation

AG 35 When a government entity, acting as one of the joint operators, engages in a transaction, such as the purchase of assets, with the joint operation, the government entity does not recognize its share of the surplus and deficit until those assets are resold to a third party.

AG 36 When such transactions provide evidence of a reduction in the net realizable value of the assets to be purchased or of an impairment loss of those assets, the joint operator shall recognize its share of those losses.

Basis for Conclusion

(*This Basis for Conclusion complements, but does not form part of, the Joint Arrangements Statement of Government Accounting Standards (SGAS)*)

Objective

BC 01 This Basis for Conclusions summarizes the considerations of the Government Accounting Standards Committee (KSAP) in reaching the conclusions in the SGAS on Joint Arrangements. Since this Statement is based on IPSAS 37, Joint Arrangements (issued in 2015, including amendments up to January 9, 2017), issued by the International Public Sector Accounting Standards Board (IPSASB), this Basis for Conclusions sets out the differences between the SGAS on Joint Arrangements and the main provisions of IPSAS 37.

Overview

BC 02 Government Accounting Standards Committee (KSAP) began the process of drafting SGAS related to accounting for government partnership in 2016. Government Accounting Standards Committee (KSAP) issued the Exposure Draft (ED) of the SGAS on Joint Arrangements in July 2018, followed by the ED of the SGAS on Service Concession Arrangements – Grantor and the ED of the SGAS on Leases.

Background

BC 03 Partnerships between government entities, as well as between government entities and business entities, have been carried out under various terms and forms in accordance with the applicable statutory regulations. These partnerships may or may not involve joint control among the parties involved.

BC 04 The background and objectives of implementing partnerships can vary, such as partnerships between government entities or between the government and business entities for the purpose of providing infrastructure and public services, or partnerships between the government and business entities for the purpose of utilizing or exploiting assets to obtain financial benefits such as rental revenue, profit-sharing, or other forms of compensation.

BC 05 One form of partnership is the utilization of state/local property, which involves the exploitation of state/local property by other parties for a certain period to increase non-tax state revenue/regional revenue and other financing sources, as regulated in the Government Regulation (PP) No. 28 Year 2020 on the Government Regulation (PP) No. 27 Year 2014 on the Management of state/local property. Article 27, paragraph (1) of Government Regulation No. 28 Year 2020 stipulates that the forms of utilization of state/local property include Leasing, Borrowing, Partnership for Utilization, Build-Operate-Transfer (BOT), or Partnership for Infrastructure Provision.

BC 06 The Government Regulation No. 28 Year 2020 regulates the Partnership for Infrastructure Provision, which is a partnership between the Government and Business Entities for infrastructure provision activities in accordance with the provisions of applicable laws and regulations. This government-business entity partnership aims primarily to provide public services as mandated by Law No. 25

Year 2009 on Public Services and Government Regulation No. 96 Year 2012 on the Implementation of Law No. 25 Year 2009 on Public Services, and not merely for the procurement and acquisition of state/local property, as regulated in the SGAS Service Concession Arrangements – Grantor.

BC 07 The government's efforts to engage in partnerships with local governments and other entities are marked by the issuance of Law No. 32 Year 2004, which was amended by Law No. 23 Year 2014 on Local Government. This law stipulates that Regional Partnerships are conducted to improve the welfare of the people, considering the efficiency and effectiveness of public services as well as mutual benefits. Regional Partnerships can be carried out with other regions, third parties, and local governments or institutions abroad. Government Regulation No. 28 Year 2018 on Regional Partnerships defines Regional Partnerships as joint efforts between regions, between regions and third parties, and/or between regions and institutions or local governments abroad, based on the considerations of efficiency, effectiveness, public service, and mutual benefits.

BC 08 With the effort to classify partnership models more specifically by referring to IPSAS, it is necessary to regulate principles to identify whether there is joint control among the parties in a partnership or if control is held by only one party. The identification related to partnerships that provide control to only one party is regulated in the SGAS Service Concession Arrangement – Grantor and SGAS that regulates leasing. Meanwhile, this SGAS will regulate the identification of whether a partnership involves joint control among the entities involved, where at least one of the entities is a government entity.

BC 09 The utilization of state/local property in the form of partnerships is presented in the Balance Sheet as a Partnership under Other Assets, following SGAS 01 on the Presentation of Financial Statement. Based on the definition in SGAS 01, a Partnership is an agreement between two or more parties with a commitment to carry out activities that are jointly controlled using owned assets and/or operating rights. Therefore, it is necessary to test whether the partnership involving government entities meets the requirement for joint control among the parties. If joint control is carried out, regulations for presenting related items in the financial statements need to be revised, and this will be a critical point in determining whether the partnership will be treated in accounting as a joint arrangement, a Service Concession Arrangement, a lease, or another form.

BC 10 Considering that partnerships, as described above, may involve business entities, the accounting principles followed by business entities have been regulated in the Statements of Financial Accounting Standards (PSAK) 111 issued by the Institute of Indonesia Chartered Accountants, the Indonesian Financial Accounting Standards Board (DSAK IAI). Therefore, the accounting principles from the perspective of government entities also need to be issued to provide a comprehensive picture of the partnership agreement. The Government Accounting Standards Committee (KSAP) believes that this Statement will enhance consistency and comparability in the financial statements of government entities regarding transactions and financial events arising from joint arrangements.Scope

BC 11 At the beginning of the discussion for the preparation of this Standard, KSAP adapt the accounting principles set out in the Statements of Financial Accounting Standards (PSAK) Number 39 concerning Accounting for Operating Partnership. However, taking these into consideration:

(a) roadmap for the alignment of SGAS with IPSAS;

(b) alignment between accounting for partnership between the government and business entity;

(c) Statements of Financial Accounting Standards(PSAK) 39 has been revoked so that it is less relevant to be used as the basis of standard setting; and

(d) mapping of various forms of government partnership agreements with other entities

then partnership can be classified based on the presence or absence of control and the area of partnership, i.e. whether it aims at public service provision.

BC 12 Partnership in the form of joint arrangements has distinct characteristics, namely the existence of joint control. The scope of this Standard is limited to partnership agreements that involve joint control among the parties. Meanwhile, the accounting principles for partnership that do not involve joint control will be regulated in separate Government Accounting Standards, including Government Accounting Standard No. 16 on Service Concession Arrangements – Grantor and other Government Accounting Standards governing Leases. The accounting principles for assets and liabilities contributed in joint control arrangements, as well as the accounting principles for rights to the net assets of a joint venture, are governed in the relevant Government Accounting Standards.

BC 13 To meet the government's accounting guidelines for transactions and financial events arising from joint arrangements, the Governmental Accounting Standards Committee (KSAP) concludes that International Public Sector Accounting Standard (IPSAS) 37 – Joint Arrangements, which was revised and became effective on January 1, 2017, is highly adequate for adoption. However, there are several differences that require adjustments for its application in the preparation of central/local government financial statements. For example, binding arrangements must be documented in writing; existing laws and regulations do not allow reporting entities to restate financial reports in order to present the effects of joint arrangements from the initial acquisition year; and there is a need for further clarification and emphasis on certain phrases and terminology to ensure harmonization in implementing it within the accounting system and policies.

BC 14 This Standard does not regulate the accounting treatment for operators that are business entities outside the central/local government entities. In many practices, operator are private sector business entities, which may also include state/local enterprises, participating as partnership partners of government entities. However, Government Accounting Standards are not intended for entities outside the central/local government, including separated central/local government wealth entities such as BUMN/D, as their accounting principles are based on the applicable Financial Accounting Standards. In this case, government entities and their operators bound by the same agreement shall apply their respective accounting principles in accordance with the accounting standards they follow.

Binding Arrangement

BC 15 The binding arrangement governed in this Standard differs from IPSAS 37. Paragraph 8 of IPSAS 37 states that binding arrangements are often, but not always, set out in writing, in the form of a contract or documented agreement between the parties.

BC 16 Binding and enforceable arrangements involving a government entity as one of the parties in the joint arrangement must be set out in writing, in the form of a contract or documented agreement between the parties, which provides legal certainty for those involved in the binding arrangement.

Transition

BC 17 In practice, prior to the effective date of this Standard, government entities have recognized and recorded assets involved in joint operations, including reclassification of partnership assets, if any, in accordance with the provisions of SGAS 01 based on the carrying amount of the assets.

BC 18 In accordance with Government Accounting Standard No. 10 on Accounting Policies, Changes in Accounting Policy, Errors, Changes in Accounting Estimates, and Discontinued Operation, government entities shall apply the accounting treatment for joint arrangements in this Standard retrospectively without restating the financial statements for the initial application of this Standard. The cumulative impact arising from the first-time application of this Standard that affects prior period financial statements shall be presented in the Statement of Changes in Equity and disclosed in the Notes to the Financial Statements.

BC 19 The first-time application of this Standard to joint arrangements that existed prior to the issuance of this Standard requires guidance in situations where retrospective application from the initial acquisition date is not feasible. Considering the unavailability of historical information on joint arrangements that makes full retrospective application impracticable, this Standard allows the first-time application to be carried out retrospectively from the earliest practicable period. If a government entity cannot determine the cumulative impact of the first-time application of this Standard for all prior periods, it may determine the cumulative impact starting from the earliest practicable period for each agreement in applying this Standard.

Ilustrative Examples

(*This illustrative example accompany, but is not part of the Statement of Government Accounting Standard (SGAS) on Joint Arrangements.*)

IE 01 These examples portray hypothetical situations that illustrate the considerations that may be used when applying the SGAS on Joint Arrangements in different situations. Although some aspects of the examples may reflect actual fact patterns, all relevant facts and circumstances of a particular fact pattern must be evaluated when applying the SGAS on Joint Arrangements.

Illustrative Example 1 - Operational partnership for development and management assets without forming a separate entity

IE 02 Entity A is a government entity seeking to optimize its assets by developing a coworking space and a mixed-use property on land it owns. The land is valued at Rp1,250. Entity A collaborates with Entity B, a limited liability company engaged in the management of coworking spaces and event organizing. The partnership is formalized in an agreement whose main subject is the provision of coworking space and mixed-use property for rental purposes.

IE 03 The partnership agreement between Entity A and Entity B includes the following provisions:

(a) Entity A and Entity B jointly prepare and determine the design of the coworking space and mixed-use property.

(b) Construction costs are borne by Entity A in the amount of Rp1,000.

(c) Capital expenditures for equipment and machinery are borne by Entity B in the amount of Rp500.

(d) Operational costs are shared proportionally by Entity A and Entity B through an operating profit-sharing model.

(e) Entity A and Entity B jointly prepare and determine the standard operating procedures for the coworking space.

(f) Entity A and Entity B jointly determine the types of revenues and expenses to be jointly earned and borne.

(g) Entity B is responsible for the daily management of the coworking space.

(h) The selection of prospective tenants for the mixed-use property is made jointly by Entity A and Entity B.

(i) The operating profit-sharing ratio for Entity A and Entity B is 65 percent and 35 percent, respectively.

IE 04 In the first year of operation, the operational performance shows operating revenues of Rp80 and operating expenses of Rp60.

Analysis

IE 05 The agreement between Entity A and Entity B is a binding arrangement in the form of a contract that contains enforceable rights and obligations. The activities carried out include the management and leasing of coworking space and mixed-use property. The relevant activities governed by the agreement include the determination of building design, the establishment of standard operating procedures, the determination of types of revenues and expenses, and the selection of prospective tenants.

IE 06 Entity A assesses whether the agreement provides collective control to all parties. From the agreement, it can be observed that all decisions related to the relevant activities are joint decisions between the parties to the agreement.

IE 07 No separate entity or vehicle was formed to carry out the activities under the arrangement. Therefore, the joint arrangement is classified as a joint operation.

IE 08 Entity A recognizes the assets, liabilities, revenues, and expenses it contributes to and derives from the arrangement. Entity A recognizes:

(a) land assets worth Rp1,250 and self-constructed building assets worth Rp1,000 contributed to the arrangement.

(b) accounts receivable and accounts payable resulting from the arrangement according to the proportion specified in the arrangement.

(c) Revenue-LRA and revenue-LO from the partnership amounting to Rp52 (65 percent x Rp80), as well as expenses and expenditures from activities under the arrangement amounting to Rp39 (65 percent x Rp60), based on the agreed proportion. The joint operating profit attributable to Entity A is Rp13 (65 percent x (Rp80 – Rp60)).

IE 09 Entity B recognizes:

(a) equipment and machinery assets contributed to the arrangement amounting to Rp500.

(b) accounts receivable and accounts payable resulting from the arrangement according to the proportion specified in the arrangement.

(c) revenue of Rp28 (35 percent x Rp80) and expenses from the activities under the arrangement amounting to Rp21 (35 percent x Rp60), based on the agreed proportion. The joint operating profit attributable to Entity B is Rp7 (35 percent x (Rp80 – Rp60)).

Illustrative Example 2 - Operational collaboration for the development and management of a special economic zone through the establishment of a separate entity

IE 10 Entity A, a government entity, collaborates with Entity B and Entity C, both of which are State-Owned Enterprises, to develop and manage a special economic zone on land owned by Entity A. To carry out the development and management of the special economic zone, Entity Z is established as a business entity in the form of a limited liability company. Entity A, B, and C hold shares in Entity Z amounting to 40 percent, 35 percent, and 25 percent respectively. Entities B and C participate in the capitalization by contributing funds (fresh money), while Entity A contributes by granting the right to use the land without charging rent. Entity Z develops and manages the special economic zone using the capital contributions from its shareholders.

IE 11 The Articles of Association of Entity Z state that:

(a) Entity Z is a limited liability company subject to the prevailing laws and regulations on limited liability companies.Provisions regarding the validity of resolutions passed at the general meeting of shareholders require approval by more than 80 percent of the shareholders to be considered valid.

(b) The rights and responsibilities of shareholders do not exceed the proportion of shares they own.

(c) Certain activities require approval from the general meeting of shareholders.

(d) The capital of Entity Z is Rp1,000.

(e) The share ownership of Entity A, B, and C is Rp400, Rp350, and Rp250 respectively.

IE 12 In the first year of operating the special economic zone, Entity Z recorded a net profit of Rp20.

Analysis

IE 13 The Articles of Association of Entity Z constitute a binding arrangement for Entities A, B, and C, as well as Entity Z, in which enforceable rights and obligations are stipulated. Relevant activities that significantly influence the benefits that may be derived from Entity Z are also regulated in the Articles of Association.

IE 14 Based on the provisions related to decision-making on relevant matters in the General Meeting of Shareholders as outlined in the Articles of Association, it can be implicitly understood that control over Entity Z is held jointly by Entities A, B, and C. This is because the combined ownership rights of the three entities meet the criteria for making decisions on relevant matters. Any combination of two entities (A and B, A and C, or B and C) cannot make decisions on their own due to the 80 percent approval requirement. Thus, no single party has control alone; rather, joint control exists within the agreement.

IE 15 Entity Z is a separate legal entity or vehicle from Entities A, B, and C, with its own legal status. Entities A, B, and C recognize their rights to the net assets of Entity Z proportionally according to their respective ownership percentages using the equity method. Therefore, this arrangement is classified as a joint venture. At initial recognition, Entity A records an investment in the joint venture of Rp400 in the balance sheet. At the end of the first year of operations of the special economic zone, Entity A recognizes an increase in investment in the joint venture and a share of the joint venture's profit of Rp8 (40 percent x Rp20).

Illustrative Example 3 - Operational Partnership in Biomass Waste Processing into Electrical Energy

IE 16 Entity A is a government entity responsible for waste management. Entity A aims to create added value from the waste it manages. To achieve this goal, Entity A collaborates with Entity B, a private business engaged in the processing of biomass into electrical energy. The partnership between Entity A and Entity B is outlined in a partnership agreement with the main activity being the production of electrical energy from biomass input.

IE 17 The partnership agreement between Entity A and Entity B regulates the following:

(a) Entity A operates to collect waste and sort the waste that meets the biomass criteria.

(b) Entity A supplies biomass to Entity B’s biomass power plant using the waste that has been transported and sorted, utilizing equipment and machinery worth Rp400.

(c) Entity B operates the power plant to produce electrical energy.

(d) The electrical energy produced is sold to the state-owned electricity company and several factories.

(e) The proceeds from the sale are shared between Entity A and Entity B through a revenue-sharing mechanism, with respective percentages of 20 percent and 80 percent.

IE 18 In the first year of the partnership, it was found that Entity A incurred costs of Rp600 to supply biomass, which consisted of costs for sorting biomass from the transported waste and transportation costs. Entity B incurred costs of Rp400 to process the biomass into electrical energy. The sale of electrical energy generated revenue of Rp2,500, with Rp500 of that still outstanding as receivables.

Analysis

IE 19 The agreement between Entity A and Entity B is a binding arrangement in the form of a contract that contains rights and obligations that are mandatory. The activity carried out is the processing of biomass into electrical energy.

IE 20 Entity A assesses whether the agreement provides collective control to all parties. Both Entity A and Entity B have control over relevant activities because Entity A controls the supply of biomass as the production input, while Entity B controls the process of converting biomass into electrical energy. It can be observed that all decisions regarding relevant activities are made jointly between the parties in the agreement.

IE 21 There is no separate entity or vehicle formed to carry out activities within the arrangement. Therefore, this joint arrangement is a joint operation.

IE 22 Entity A and Entity B recognize assets, liabilities, revenues, and expenses contributed to the arrangement and generated from the arrangement. Entity A records:

(a) assets used in the joint operation, which are waste transport equipment and waste sorting equipment worth Rp400.

(b) receivables of Rp100 (20 percent x Rp500) generated from the arrangement according to the proportion specified in the arrangement.

(c) revenue-LO of Rp500 (20 percent x Rp2,500), revenue-LRA of Rp400 (20 percent x (Rp2,500 – Rp500)), and expenses incurred from the activities in the arrangement of Rp200 (20 percent x (Rp600 + Rp400)).

Illustrative Example 4 - Formation of a Joint Venture to Manage Golf Course Assets

IE 23 Entity A is a government entity assigned with the task of managing assets from the national banking restructuring, specifically a golf course. To operate this asset, Entity A collaborates with Entity B, a private enterprise engaged in the real estate sector and experienced in operating golf courses. The operation is carried out by forming a separate entity in the form of a limited liability company, namely

Entity Z. The ownership percentages of Entity A and Entity B in Entity Z are 55 percent and 45 percent, respectively.

IE 24 The Articles of Association of Entity Z stipulate the following:

(a) Entity Z is an at-cost entity.

(b) Entity Z operates assets and manages liabilities contributed to the arrangement.

(c) Entity Z manages and distributes the revenue and expenses arising from the arrangement to Entity A and Entity B in accordance with their respective proportions.

(d) Entity Z receives an advance payment for its operations, the use of which is accounted for monthly.

(e) Entity A contributes the golf course asset, including land and existing buildings, to the arrangement with a value of Rp1,000.

(f) Entity B contributes assets in the form of equipment and machinery to be used in the arrangement, valued at Rp300.

(g) Entity A bears the operational costs related to the development of the land, including building construction.

(h) Entity B bears the operational costs related to the acquisition of equipment and machinery.

(i) Entity A and Entity B jointly determine the standard operating procedures and tariffs to be charged to users for each type of product/service managed by Entity Z.

IE 25 In the first year of operation, the following is noted:

(a) Entity Z received an operational advance payment of Rp800, consisting of Rp500 from Entity A and Rp300 from Entity B.

(b) Entity Z accounted for expenditures on building construction amounting to Rp300, equipment purchases amounting to Rp150, and operational costs of Rp60, all of which are expenditure.

(c) Although it has only been operating for half a year, recorded revenue amounts to Rp95, all of which is cash revenue.

(d) The excess advance payment is redistributed to Entity A and Entity B.

Analysis

IE 26 The Articles of Association of Entity Z constitute a binding arrangement for both Entity A and Entity B, as well as the organs of Entity Z, containing rights and obligations that are enforceable. The relevant activities that significantly affect the benefits that can be derived from Entity Z are also governed by the Articles of Association.IE 27 From the arrangement regarding the legitimate decision-making statement in the general shareholders' meeting as outlined in the Articles of Association, it can be implicitly understood that Entity A has joint control with Entity B over Entity Z.

IE 28 Entity Z is a separate entity or vehicle from Entity A and Entity B, with its own legal status. However, after examining the clauses in the Articles of Association, which constitute a binding arrangement, it can be observed that Entity A and Entity

B have rights to the assets and responsibilities for the liabilities. Therefore, even though the joint arrangement is carried out through a separate vehicle entity, this is still considered a joint operation.

IE 29 Entity A presents the assets contributed to the partnership, including land and existing buildings valued at Rp1,000 and newly acquired building assets from development valued at Rp300. Entity A also recognizes depreciation expenses and accumulated depreciation.

IE 30 Entity A recognizes revenue-LO and revenue-LRA amounting to Rp52.25 (55 percent x Rp95) as well as expenses and expenditures amounting to Rp33 (55 percent x Rp60).

IE 31 Entity A recognizes a cash outflow for the advance payment of Rp500 and a cash inflow from the refund of the advance payment of Rp167 (Rp500 - Rp300 - Rp33) after the advance payment is accounted for in the development expenditures of the building and Entity A's share of the operational costs.

Illustrative Example 5 - Regional Partnership for the Development and Trade of Leading Commodities

IE 32 Entities A, B, C, and D are neighboring district government entities. To advance the local economy, entities A, B, C, and D formed a regional management group whose activity is to market the regional flagship product, namely sugar, to buyers or offtakers.

IE 33 The structure of this regional management consists of components such as the forum of entity leaders, the executive council consisting of leaders of regional work units, and the regional manager along with supporting organs filled by professional staff.

IE 34 The agreement stipulates that each entity contributes raw materials from their respective regions to be processed at a sugar factory owned by another entity outside the arrangement. Marketing will use a joint brand with prices determined collectively by entities A, B, C, and D. The sales proceeds will be distributed proportionally after deducting costs.

Analysis

IE 35 The agreement between entities A, B, C, and D constitutes a binding arrangement in the form of a contract, which contains enforceable rights and obligations. The activities carried out involve the marketing of regional flagship products in the form of sugar to buyers or offtakers.

IE 36 Entities A, B, C, and D assess whether the agreement provides collective control to all parties. Entities A, B, C, and D have control over the relevant activities since all entities control the production inputs. It can be observed that all decisions on relevant activities—such as price determination and cost sharing—are made jointly by the parties in the agreement.

IE 37 No separate entity or vehicle has been established to carry out the activities under the arrangement. Therefore, the joint arrangement is classified as a joint operation.

IE 38 Entities A, B, C, and D recognize their respective assets, liabilities, revenues, and expenses that are contributed to and arise from the arrangement:

(a) assets used in the implementation of the joint operation.

(b) trade receivables and trade payables resulting from the arrangement in accordance with the proportions specified in the arrangement.

(c) revenues and expenses arising from the activities in the arrangement in accordance with the proportions specified in the arrangement.

Differences with IPSAS

The Joint Arrangements SGAS adopts all the provisions of International Public Sector Accounting Standards (IPSAS) 37 - Joint Arrangements, which is effective as of January 01, 2017, except:

1. IPSAS 37 paragraph 7 does not include a definition of Relevant Activities. The terminology is included in other IPSASs, such as IPSAS 34 - Separate Financial Statements, IPSAS 35 - Consolidated Financial Statements, or IPSAS 36 - Investment in Associates and Joint Ventures. Considering IPSAS 34, IPSAS 35, and IPSAS 36 are not adopted, and there is no SGAS that provides the definition of Relevant Activities, the definition of Relevant Activities is included in the Joint Arrangements SGAS.
2. IPSAS 37 paragraph 8 provides that binding arrangements are often but not always set out in writing, in the form of a contract or documented agreement of the parties. SGAS on Joint Arrangements provides that binding and compelling arrangements involving government entities as a party to a joint arrangement are set out in writing, in the form of a contract or documented agreement of the parties, which will provide legal certainty to the parties involved in the binding arrangement.
3. IPSAS 37 paragraph 23 is added with letter (f) expenditure, including its share of any jointly incurred expenditure. This addition was made considering the need to recognize the interests of joint operators in the preparation of the budget realization report.
4. IPSAS 37 paragraph 24 is added with expenditure. This addition was made considering the need to recognize the interests of joint operators in the preparation of the budget realization report.
5. IPSAS 37 paragraph 24A is not adopted in the Joint Arrangements SGAS because IPSAS 40 Public Sector Combinations is not adopted.
6. IPSAS 37 paragraph 26 is adopted in full but in SGAS Joint Arrangements are presented in 2 paragraphs, namely paragraphs 24 and 25.
7. IPSAS 37 paragraphs 29 and 30 related to the presentation of separate financial statements for joint operators, joint ventures and parties that participate but do not have joint control are not adopted in the SGAS on Joint Arrangements because IPSAS 34 - Separate Financial Statements is not adopted.
8. IPSAS 37 paragraph 31 was not adopted. IPSAS 37 paragraph 31 provides that the presentation of quantitative information for the current period or a comparison of the previous period is made for annual reporting immediately after the first-time adoption of IPSAS 37. The presentation of such information follows SGAS 10 (Revised 2020) on Accounting Policies, Changes in Accounting Policies, Errors, Changes in Accounting Estimates and Discontinued Operations.

9. IPSAS 37 paragraph 39 is not adopted in full in the Joint Arrangements SGAS because IPSAS 36 - Investment in Associates and Joint Ventures is not adopted.
10. IPSAS 37 paragraph 41 is not adopted in the Joint Arrangements SGAS because IPSAS 6 - Consolidated and Separate Financial Statements is not adopted.
11. IPSAS 27 paragraph 41A is not adopted in the Joint Arrangements SGAS because IPSAS 40 - Public Sector Combinations is not adopted.
12. IPSAS 37 paragraphs 42, 42A, 42B, 42C, 42D, 42E and 43 of the Effective Date section are not adopted with the objective that government entities can simultaneously apply for the first time and present assets, liabilities, revenues, expenditures and expenses related to joint arrangements.
13. IPSAS 37 paragraph 44 on Withdrawal and Replacement of IPSAS 8 is not adopted because IPSAS 8 was never adopted.
14. IPSAS 37 does not provide for disclosures related to joint arrangements. The addition of disclosures in paragraph 37 of this SGAS aims to provide arrangements related to the minimum disclosures required. The disclosures in paragraph 37 are adapted from the disclosures of interests in joint arrangements set out in IPSAS 38 - Disclosure of Interests in Other Entities.
15. IPSAS 37 Basis for Conclusions was not adopted for matters related to the chronology of the business process of the International Public Sector Accounting Standard Board's (IPSASB) discussion of standards.
16. IPSAS 37 Guidance on the Application of GR 33A - GR 33D Accounting for Acquisitions of Interests in Joint Operations is not adopted in the SGAS on Joint Arrangements because IPSAS 40 - Public Sector Combinations is not adopted.

GOVERNMENT ACCOUNTING STANDARD
STATEMENT NO. 20

AGRICULTURE

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

ACCRUAL BASIS GOVERNMENT ACCOUNTING STANDARD
STATEMENT NO. 20
AGRICULTURE

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 and disclosures for agricultural activity.

Scope

2. This standard regulates recognition, measurement, and presentation in government entity financial statements related to agricultural activities, as follows:

a) Biological assets, except bearer plants; and

b) gricultural products at harvest.

3. This Standard does not apply to:

a) land related to agricultural activity;
b) intangible assets related to agricultural activity;
c) biological assets held for the provision or supply of services; and
d) right-of-use assets arising from a lease of land related to agricultural activity.

4. Biological assets are used in many activities undertaken by public sector entities. When biological assets are used for research, education, transportation, entertainment, recreation, customs control or in any other activities that are not agricultural activities as defined in paragraph 7 of this Standard, those biological assets are not accounted for in accordance with this Standard. Where those biological assets meet the definition of an asset, other SGAS should be considered in determining the appropriate accounting such as SGAS which regulates Properti, plant, and equipment or SGAS which regulates Inventory.

5. This Standard is applied to agricultural produce, which is the harvested produce of the entity's biological assets, at the point of harvest. Thereafter, SGAS which regulates Inventory, or another applicable standard, is applied. Accordingly, this Standard does not deal with the processing of agricultural produce after harvest. For example, the processing of soybean became tempe. While such processing may looks naturally like an biological transformation (fermentation), such processing is not included within the definition of agricultural activity in this Standard.

6. The table below provides examples of biological assets, agricultural produce, and products that are the result of processing after harvest:

Animal and Plant		Agricultural produce	Products that are the result of processing after harvest
Biological Assets	**Bearer Plant**		
Sheep	--	Wool	Yarn, cloth
Dairy Cattle	--	Milk	Cheese
beef cattle	--	Beef	Sausage
Fish	--	Fish Meat	processed fish products
Seaweed	--	Harvested Seaweed	Seaweed Jelly
Sugarcane	--	Harvested cane	Sugar
Rice plants	--	Rice Grain	Rice
Corn Plants	--	Corn	Corn Product
Soybean plant	--	Soybean	Tempeh, Tofu
--	Fruit Plants	Harvest Fruit	Fruit Processed Product
--	Tea Plants	Tea Leaves	Tea
--	Grape plant	Grape	Wine
--	Palm oil tree	Palm bunches	Palm Oil
--	Rubber tree	Rubber latex	Rubber processed products

DEFINITION

7. ***The following terms are used in this Standard with the meanings specified:***

Agricultural activity is the management by an entity of the biological transformation and harvest of biological assets for:

a) sale;

b) distribution at no charge or for a nominal charge; or

c) conversion into agricultural produce or into additional biological assets for sale or for distribution at no charge or for a nominal charge.

Agricultural produce is the harvested produce of the entity's biological assets.

A bearer plant is a living plant that:

a) Is used in the production and supply of agricultural produce;

b) Is expected to bear produce for more than one period; and

c) Has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

A biological asset is a living animal or plant.

Biological transformation comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset.

***<u>Costs to sell</u>* are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes. Disposal may occur through sale or through distribution at no charge or for a nominal charge.**

***<u>A group of biological assets</u>* is an aggregation of similar living animals or plants.**

***<u>Harvest</u>* is the detachment of produce from a biological asset or the cessation of a biological asset's life processes.**

***<u>Fair Value</u>* is the exchange value of an asset or the settlement of a liability between parties who understand and are willing to enter into a fair transaction.**

8. The following are not bearer plants:

a) Plants cultivated to be harvested as agricultural produce (for example, trees grown for use as lumber);
b) Plants cultivated to produce agricultural produce when there is more than a remote likelihood that the entity will also harvest and sell the plant as agricultural produce, other than as incidental scrap sales (for example, trees that are cultivated for their fruit and their lumber); and
c) Annual crops (for example, maize and paddy).

9. When bearer plants are no longer used to bear produce they might be cut down and sold as scrap, for example, for use as firewood. Such incidental scrap sales would not prevent the plant from satisfying the definition of a bearer plant.

10. Produce growing on bearer plants is a biological asset.

11. Agricultural activity covers a diverse range of activities; for example, raising livestock, forestry, annual or perennial cropping, cultivating orchards and plantations, floriculture, and aquaculture (including fish farming and others aquatic biota like seaweed, pearl, clams, coral reefs and similar biota). Certain common features exist within this diversity:

a) Capability to change. Living animals and plants are capable of biological transformation;
b) Management of change. Management facilitates biological transformation by enhancing, or at least stabilizing, conditions necessary for the process to take place (for example, nutrient levels, moisture, temperature, fertility, and light). Such management distinguishes agricultural activity from other activities. For example, harvesting from unmanaged sources (such as ocean fishing and deforestation) is not agricultural activity; and
c) Measurement of change. The change in quality (for example, genetic merit, density, ripeness, fat cover, protein content, and fiber strength) or quantity (for example, progeny, weight, cubic meters, fiber length or diameter, and number of buds) brought about by biological transformation or harvest is measured and monitored as a routine management function.

12. Biological transformation results in the following types of outcomes:

a) Asset changes through (i) growth (an increase in quantity or improvement in quality of an animal or plant), (ii) degeneration (a decrease in the quantity or deterioration in quality of an animal or plant), or (iii) procreation (creation of additional living animals or plants); or
b) Production of agricultural produce such as latex, tea leaf, wool, and milk.

RECOGNITION AND MEASUREMENT

13. ***An entity shall recognize a biological asset or agricultural produce when and only when:***

a) The entity controls the asset as a result of past events;

b) It is probable that future economic benefits or service potential associated with the asset will flow to the entity; and

c) The fair value or cost of the asset can be measured reliably.

14. The fair value of an asset is based on its present location and condition. As a result, for example, the fair value of cattle at a farm is the price for the cattle in the relevant market less the transport and other cost of getting the cattle either to that market or to the location where it will be distributed at no charge or for a nominal charge.

15. In agricultural activity, control may be evidenced by, for example, legal ownership of cattle and the branding or otherwise marking of the cattle on acquisition, birth, or weaning. The future benefits or service potential are normally assessed by measuring the significant physical attributes.

16. ***A biological asset shall be measured on initial recognition and at each reporting date at its fair value less costs to sell, except for the case described in paragraph 34 where the fair value cannot be measured reliably.***

17. ***Where an entity acquires a biological asset through a non exchange transaction, the biological asset is measured on initial recognition and at each reporting date in accordance with paragraph 16.***

18. ***Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying SGAS which regulates Inventory.***

19. The fair value measurement of a biological asset or agricultural produce may be facilitated by grouping biological assets or agricultural produce according to significant attributes; for example, by age or quality. An entity selects the attributes corresponding to the attributes used in the market as a basis for pricing.

20. Entities often enter into contracts to sell their biological assets or agricultural produce at a future date. Contract prices are not necessarily relevant in measuring fair value, because fair value reflects the current market conditions in which market participant buyers and sellers would enter into a transaction. As a result, the fair value of a biological asset or agricultural produce is not adjusted because of the existence of a contract. In some cases, a contract for the sale of a biological asset or agricultural produce in an exchange transaction may be an onerous contract, accounting treatment related to onerous contract follows the SGAS which regulates Provisions, Contingent Liabilities and Contingent Assets.

21. If an active market exists for a biological asset or agricultural produce in its present location and condition, the quoted price in that market is the appropriate basis for determining the fair value of that asset. If an entity has access to different active markets, the entity uses the most relevant one. For example, if an entity has access to two active markets, it would use the price existing in the market expected to be used.

22. If an active market does not exist, an entity uses one or more of the following, when available, in determining fair value:

a) The most recent market transaction price, provided that there has not been a significant change in economic circumstances between the date of that transaction and the reporting date;

b) Market prices for similar assets with adjustment to reflect differences; and

c) Sector benchmarks such as the value of an orchard expressed per export tray, bushel, or hectare, and the value of cattle expressed per kilogram of meat.

23. In some cases, the information sources listed in paragraph 22 may suggest different conclusions as to the fair value of a biological asset or agricultural produce. An entity considers the reasons for those differences, in order to arrive at the most reliable estimate of fair value within a relatively narrow range of reasonable estimates.

24. In some circumstances, market-determined prices or values may not be available for a biological asset in its present condition. In these circumstances, an entity uses the present value of expected net cash flows from the asset discounted at a current market-determined rate in determining fair value.

25. Entity may develop methodologies to determine fair value, which may include incorporating expected net cash flows in the valuation of an asset, so as to derive an asset value that reflects conditions in the relevant local market. In doing so, the entity shall consider this factor when determining the appropriate discount rate to be applied and in estimating the expected net cash flows.

26. An entity does not include any cash flows for financing the assets, taxation, or re-establishing biological assets after harvest.

27. In agreeing an arm's length transaction price, knowledgeable, willing buyers and sellers consider the possibility of variations in cash flows. It follows that fair value reflects the possibility of such variations. Accordingly, an entity incorporates expectations about possible variations in cash flows into either the expected cash flows, or the discount rate, or some combination of the two. In determining a discount rate, an entity uses assumptions consistent with those used in estimating the expected cash flows, to avoid the effect of some assumptions being double-counted or ignored.

28. Cost may sometimes approximate fair value, particularly when:

(a) Little biological transformation has taken place since initial cost incurrence (for example, for seedlings planted immediately prior to reporting date or newly acquired livestock); or

(b) The impact of the biological transformation on price is not expected to be material.

29. Biological assets are often physically attached to land (for example, trees in a plantation forest). There may be no separate market for biological assets that are attached to the land but an active market may exist for the combined assets, that is, for the biological assets, raw land, and land improvements, as a package. An entity may use information regarding the combined assets to measure the fair value of the biological assets. For example, the fair value of raw land and land improvements may be deducted from the fair value of the combined assets to arrive at the fair value of biological assets.

Surpluss and Deficites

30. ***A surplus or deficit arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in surplus or deficit for the period in which it arises.***

31. A deficit may arise on initial recognition of a biological asset, because costs to sell are deducted in determining fair value less costs to sell of a biological asset. A surplus may arise on initial recognition of a biological asset, such as when a calf is born.

32. ***A surplus or deficit arising on initial recognition of agricultural produce at fair value less costs to sell shall be included in surplus or deficit for the period in which it arises.***

33. A surplus or deficit may arise on initial recognition of agricultural produce as a result of harvesting.

Inability to Measure Fair Value Reliably

34. ***There is a presumption that fair value can be measured reliably for a biological asset. However, that presumption can be rebutted only on initial recognition for a biological asset for which quoted market prices are not available, and for which alternative fair value measurements are determined to be clearly unreliable. In such a case, that biological asset shall be measured at its cost less any accumulated depreciation. Once the fair value of such a biological asset becomes reliably measurable, an entity shall measure it at its fair value less costs to sell.***

35. The measurement of a biological asset at its fair value less costs to sell may apply only at the time of initial recognition. An entity that has previously measured a biological asset at fair value less costs to sell may subsequently continue to measure the biological asset at fair value less costs to sell until the point of disposal.

36. In all cases, an entity measures agricultural produce at the point of harvest at its fair value less costs to sell. This Standard reflects the view that the fair value of agricultural produce at the point of harvest can always be measured reliably.

37. In determining cost and accumulated depreciation, an entity considers SGAS which regulates Property, Plant, and Equipment or SGAS which regulates Inventories.

PRESENTATION

38. ***Biological assets that meet the criteria as set out in this standard shall be classified as current assets and/or non-current assets in accordance with their characteristics.***

DISCLOSURE

39. ***An entity shall disclose the aggregate surplus or deficit arising during the current period on initial recognition of biological assets and agricultural produce and from the change in fair value less costs to sell of biological assets.***

40. ***An entity shall provide a description of biological assets that distinguishes between consumable and bearer biological assets and between biological assets held for sale and those held for distribution at no charge or for a nominal charge.***

41. Consumable biological assets are those that are held for harvest as agricultural produce or for sale or distribution at no charge or for a nominal charge as biological assets. Examples of consumable biological assets are animals and plants for one-time use, such as livestock intended for the production of meat, livestock held for sale, fish in farms, crops such as maize and wheat, produce on a bearer plant and trees being grown for lumber. Bearer biological assets are those biological assets that are used repeatedly or continuously for more than one year in an agricultural activity. Bearer biological assets are not agricultural produce but, rather, are held to bear produce. Examples of types of animals that are bearer biological

assets include breeding stocks, livestock from which milk is produced, and sheep or other animals used for wool production. Examples of types of plants that are bearer biological assets include trees that produce fruit or other product. Plants that bear produce for more than one period are not classified as biological assets but are considered productive plants, which shall be classified as property, plant, and equipment.

42. The disclosures required by paragraph 40 would take the form of a quantified description. The quantified description may be accompanied by a narrative description.

43. In making the disclosures required by paragraph 40, an entity is also encouraged to distinguish between mature and immature biological assets, as appropriate. These distinctions provide information that may be helpful in assessing the timing of future cash flows and service potential. An entity discloses the basis for making any such distinctions.

44. Mature biological assets are those that have attained harvestable specifications (for consumable biological assets) or are able to sustain regular harvests (for bearer biological assets).

45. ***If not disclosed elsewhere in information published with the financial statements, an entity shall describe:***

a) ***The nature of its activities involving each group of biological assets; and***

b) ***Non-financial measures or estimates of the physical quantities of:***

i. Each group of the entity's biological assets at the end of the period; and

ii. Output of agricultural produce during the period.

46. ***An entity shall disclose the methods and significant assumptions applied in determining the fair value of each group of agricultural produce at the point of harvest and each group of biological assets.***

47. ***An entity shall disclose the fair value less costs to sell of agricultural produce harvested during the period, determined at the point of harvest.***

48. ***An entity shall disclose:***

a) ***The existence and carrying amounts of biological assets whose title is restricted, and the carrying amounts of biological assets pledged as security for liabilities;***

b) ***The nature and extent of restrictions on the entity's use or capacity to sell biological assets;***

c) ***The amount of commitments for the development or acquisition of biological assets; and***

d) ***Financial risk management strategies related to agricultural activity.***

49. ***An entity shall present a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period. The reconciliation shall include:***

a) ***The surplus or deficit arising from changes in fair value less costs to sell, disclosed separately for bearer biological assets and consumable biological assets;***

b) ***Increases due to purchases;***

c) ***Increases due to assets acquired through a non-exchange transaction;***

d) ***Decreases attributable to sales;***

e) ***Decreases due to distributions at no charge or for a nominal charge;***

f) ***Decreases due to harvest;***

g) ***Increases resulting from public sector combinations;***

h) ***Net exchange differences arising on the translation of financial statements into a different presentation currency, and on the translation of a foreign operation into the presentation currency of the reporting entity; and***

i) ***Other changes.***

50. The fair value less costs to sell of a biological asset can change due to both physical changes and price changes in the market. Separate disclosure of physical and price changes is useful in appraising current period performance and future prospects, particularly when there is a production cycle of more than one year. In such cases, an entity is encouraged to disclose, by group or otherwise, the amount of change in fair value less costs to sell included in surplus or deficit due to physical changes and due to price changes. This information is generally less useful when the production cycle is less than one year (for example, when raising chickens or growing paddy crops).

51. Biological transformation results in a number of types of physical change—growth, degeneration, production, and procreation, each of which is observable and measurable. Each of those physical changes has a direct relationship to future economic benefits or service potential. A change in fair value of a biological asset due to harvesting is also a physical change.

52. Agricultural activity is often exposed to climatic, disease and other natural risks. If an event occurs that gives rise to a material item of revenue or expense, the nature and amount of that item are disclosed in financial report. Examples of such an event include an outbreak of a virulent disease, a flood, a severe drought or frost, and a plague of insects.

Additional Disclosures for Biological Assets Where Fair Value Cannot Be Measured Reliably

53. ***If an entity measures biological assets at their cost less any accumulated depreciation at the end of the period, the entity shall disclose for such biological assets:***

a) ***A description of the biological assets;***

b) ***An explanation of why fair value cannot be measured reliably;***

c) ***If possible, the range of estimates within which fair value is highly likely to lie;***

d) ***The depreciation method used;***

e) ***The useful lives or the depreciation rates used; and***

f) ***The gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment deficites) at the beginning and end of the period.***

54. ***If, during the current period, an entity measures biological assets at their cost less any accumulated depreciation and any accumulated impairment deficites, an entity shall disclose any surplus or deficit recognized on disposal of such biological assets and the reconciliation required by paragraph 49 shall disclose amounts related to such biological assets separately. In addition, the reconciliation shall include the following amounts included in surplus or deficit related to those biological assets:***

(a) Impairment deficites;

(b) Reversals of impairment deficites; and

(c) Depreciation.

55. ***If the fair value of biological assets previously measured at their cost less any accumulated depreciation and any accumulated impairment deficites becomes reliably measurable during the current period, an entity shall disclose for those biological assets:***

a) ***A description of the biological assets;***

b) ***An explanation of why fair value has become reliably measurable; and***

c) ***The effect of the change.***

EFFECTIVE DATE

56. ***This Statement of Government Accounting Standard (SGAS) shall be effective for financial statements on budget accountability beginning with Fiscal Year 2027.***

APPENDIX A: BASIC FOR CONCLUSION

(This Basis for Conclusions accompanies, but is not part of, SGAS 20 Agrikultur)

Background

BC 1 The Governmental Accounting Standards Committee (KSAP) developed the SGAS Agrikultur with reference to IPSAS 27, Agriculture.

Scope

BC 2 The SGAS Agrikultur adds examples of bearer plants in the table in paragraph 6, which are not included in IPSAS. The rationale for adding this table is to facilitate users of the standard in distinguishing biological assets from bearer plants.

Agriculture Definition

BC 3 The definition of Agriculture in this Standard refers to IPSAS 27, Agriculture.

Presentation

BC 4 Biological assets shall be presented as current assets and/or non-current assets in accordance with their characteristics.

Surplus and Defisit

BC 5 This standard uses the terms surplus and deficit to refer to the difference between the initial value and the fair value of biological assets or agricultural products less costs to sell, and to changes in fair value less costs to sell. The use of the terms surplus and deficit differs from the terminology used in IPSAS, which employs gain or loss. The rationale for using the terms surplus and deficit is that government functions are not oriented toward economic profit but emphasize the provision of services to the public.

APPENDIX B: ILLUSTRATIVE EXAMPLES

(This appendix constitutes an integral part of the SGAS Agrikultur)

Central Government
Balance Sheet
as of December 31, 20x1

	20x1	20x0
Asset		
Current Asset:		
- Cash	21x	21x
- Accrued Revenue	21x	21x
- Receivables	21x	21x
- Inventories	21x	21x
- Biological assets	21x	21x
non-current assets:		
- Land	21x	21x
- Buildings and Construction	21x	21x
- Equipment and Machine	21x	21x
- Road, Irrigation and networks	21x	21x
- Service Concession Assets	21x	21x
- Investment Property	21x	21x
- Biological assets	21x	21x
- Intangible Asset	21x	21x
Total Assets	21x	21x
Liabilities:		
- Short term Liabilities:		
- Accrued Expenses	21x	21x
- Deferred Revenue	21x	21x
- Long term Liabilities:		
- SBSN debt	21x	21x
- SUN Debt	21x	21x
Total Liabilities	21x	21x
Equity:		
Equity	21x	21x
Total Equity	21x	21x

DIFFERENCES FROM IPSAS

SGAS 20 Agriculture is developed with reference to the provisions of International Public Sector Accounting Standards (IPSAS) 27 – Agriculture, which became effective on January 31, 2021, except as follows:

1. IPSAS 27 Agriculture, paragraph 6 provides explanations regarding examples of biological assets, agricultural produce, and processed agricultural products. These explanations have been adapted in the form of modifications to the table.
2. IPSAS 27 Agriculture, paragraphs 30, 31, 32, 33, 39, 49, and 54 concerning surplus or deficit arising from the recognition of biological assets at fair value have been adapted in terminology to surplus or deficit to avoid confusion that may arise if the terms gain and loss were used.
3. IPSAS 27 Agriculture does not contain a paragraph on presentation. However, in PSAS Agriculture, paragraph 38 has been added, stipulating that biological assets shall be presented as current assets and/or non-current assets in accordance with their characteristics, to draw attention and facilitate the implementation.

GOVERNMENT ACCOUNTING STANDARDS COMMITTEE
YEAR 2025

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2. Director General of Regional Finance, Ministry of Home Affair, Deputy
3. Chair of Indonesia Institute of Accountant, Member
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