

# Assurance NewsFlash

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## Financial Reporting 2006 year-end note

### Current status of accounting standards

The following is a recap of the current status of various Indonesian accounting standards ("PSAKs") and Exposure Drafts ("EDs") as at the end of 2006. Many of these new standards are based on International Accounting Standards or International Financial Reporting Standards ("IAS/IFRS") with little or no modification.

- **2007:** Aside from the recently issued technical bulletin on Joint Financing Presentation, there are no new accounting standards nor other accounting guidance expected to be applicable in 2007
- **2008:** PSAKs that are expected to be applicable as of 2008 are:

Standards	Comment
PSAK 13 Revised - Investment Property	Revision is based on IAS 40 – Investment Property
PSAK 16 Revised - Fixed Assets	Revision is based on IAS 16 Revised - Property, Plant and Equipment
PSAK 30 Revised - Accounting for Leases	Revision is based on IAS 17 – Leases

In addition there are a number of Islamic or *Shari'a*- based Exposure Drafts expected to be implemented as standards as of 2008:

- ED Framework for Preparation and Disclosures of *Shari'a* Financial Statements
- ED PSAK 101 Revised - Presentation of *Shari'a* Financial Statements
- ED PSAK 102 Revised - *Murabahah* Accounting
- ED PSAK 103 Revised - *Salam* Accounting
- ED PSAK 104 Revised - *Isthisna'* Accounting
- ED PSAK 105 Revised - *Mudharabah* Accounting
- ED PSAK 106 Revised - *Musarakah* Accounting

These proposed standards are mostly applicable for financial institutions operating based on *Shari'a* principles. However, please be advised that the proposed standards may also affect other entities in particular when they enter into transactions based on *Shari'a* principles.

- **2009:** Exposure Drafts of PSAKs expected to be implemented as standards as of 2009 are:

Standards	Comment
ED PSAK 50 Revised - Financial Instruments: Presentation and Disclosures	Revision is based on IAS 32 - Financial Instruments: Presentation and Disclosures
ED PSAK 55 Revised - Financial Instruments: Recognition and Measurement	Revision is based on IAS 39 - Financial Instruments: Presentation and Disclosures

### Standards to be revised in 2007

The Indonesian Accounting Standards Board ("DSAK-IAI") is considering launching several projects to revise the following standards in 2007:

Standards	Comment
PSAK 1 Presentation of Financial Statements	Revision to be based on IAS 1- Presentation of Financial Statements
PSAK 12 – Financial Reporting for Participation Interests in Jointly Controlled Operations and Assets	Revision to be based on IAS 31- Interests in Joint Ventures
PSAK 22 - Business Combinations	Revision to be based on IFRS 3 – Business Combinations
PSAK 31 – Accounting for Banks	Possibility of being revoked and superseded by relevant existing standards including those on financial instruments
PSAK 58 - Discontinuing Operations	Revision to be based on IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations

For *Shari'a* based standards, the plan is to initiate projects in 2007 to revise PSAKs on the following types of transactions: *Shari'a* Insurance, *Ijarah*, Restructuring of *Murabahah* debts, *Shari'a* bonds and *Shari'a* mutual funds.

Please note that the list above represents a tentative plan that might be subject to changes in the future.

In addition DSAK-IAI plans to revisit in 2007, with the possibility of revising, the following standards:

- **PSAK 38** - Accounting for Restructuring Transactions Between Entities Under Common Control
- **PSAK 21** – Accounting for Equity

## Full adoption of IAS/IFRS

Contrary to what some might believe, the Indonesian Institute of Accountants (“IAI”) has not yet announced a schedule for full adoption of IAS/IFRS.

IAI began harmonizing its accounting standards with IAS in 1994, with the adoption of the IASC’s Framework for the Preparation and Presentation of Financial Statements as IAI’s financial reporting framework. Since then, an increasing number of IAS have been adopted into Indonesian Generally Accepted Accounting Principles (“Indonesian GAAP”) and in the last few years a number of IAS have been adopted with little or no modification.

In late 2004, IAI announced a convergence project to eliminate the differences between IAS/IFRS and Indonesian GAAP. This project was originally expected to be completed by 2008. However, this does not necessarily mean that IAI will automatically fully adopt IAS/IFRS in 2008; consequently each IAS/IFRS will still have to be reviewed on an individual basis and modified where necessary before the particular IAS/IFRS is adopted as part of Indonesian GAAP. Whilst it is possible that IAI will decide that the IAS/IFRS is adopted as a whole sometime in the near to medium future, an exact timetable has not been agreed upon.

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