

A Practical Guide to the Revised Bapepam- LK VIII.G.7



Introduction

On 25 June 2012, *Badan Pengawas Pasar Modal dan Lembaga Keuangan* (Bapepam-LK) as the capital market regulator released a new regulation (commonly known as VIII.G.7) on the presentation and disclosure requirements for financial statements prepared by publicly listed entities in Indonesia. This revised regulation practically replaces the older version of VIII.G.7 that was last updated 12 years ago.

This revised VIII.G.7 is issued at a critical juncture in the convergence process of Indonesian Financial Accounting Standards (PSAKs) with the International Financial Reporting Standards (IFRS). Considering there have been more than 50 new accounting standards and interpretations introduced in the last two years (in 2011 and 2012) by *Dewan Standar Akuntansi Keuangan* (DSAK) of the Indonesian Institute of Accountants, Bapepam-LK are using this revised VIII.G.7 to outline all their presentation and disclosure requirements in response to the new accounting standards.

In principle, Bapepam-LK intends to align its own requirements with those of the PSAKs; but occasionally there are differences between the two. On several issues, Bapepam-LK has made its own interpretations and introduced its own requirements that are different from PSAKs; moreover, this revised VIII.G.7 continues to require a number of additional disclosures not found in PSAKs.

This guide summarises differences between the requirements imposed by Bapepam-LK and those of the PSAKs. We also draw out the practical implications of the new requirements found in VIII.G.7. We hope that this guide can help you to better understand the revised VIII.G.7 and its interrelationship with PSAKs.

We understand the challenges faced by many publicly listed entities in preparing a set of financial statements amidst all these new developments; hence, in addition to this guide, we have also prepared a set of illustrative financial statements that lays out the presentation and disclosure requirements applicable for publicly listed entities in Indonesia. We refer you to a copy of our PT Indonesia Tbk and subsidiaries-illustrative (interim) consolidated financial statements 2012 for reference.

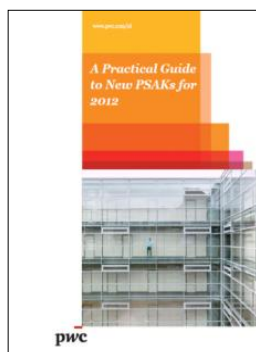
We trust that you will find all these resources helpful as you begin preparing your next set of financial reports.

Jakarta, 17 October 2012

Commonly used terms

Bapepam-LK	<i>Badan Pengawas Pasar Modal dan Lembaga Keuangan</i> (Capital Market and Financial Institutions Supervisory Boards)
IAI	<i>Ikatan Akuntan Indonesia</i> (Indonesian Institute of Accountants)
DSAK	<i>Dewan Standar Akuntansi Keuangan dari IAI</i> (Indonesian Financial Accounting Standards Board of IAI)
VIII.G.7	Bapepam-LK's regulation on presentation and disclosure of issuers' or listed entities' financial statements
PSAK	<i>Pernyataan Standar Akuntansi Keuangan</i> (Statement of Financial Accounting Standards applicable in Indonesia)
ISAK	<i>Interpretasi Standar Akuntansi Keuangan</i> (Interpretation of Statement of Financial Accounting Standards applicable in Indonesia)
IFRS	International Financial Reporting Standards
IAS	International Accounting Standards
GAAP	Generally Accepted Accounting Principles
IASB	International Accounting Standard Boards
BI	<i>Bank Indonesia</i> (Indonesian central bank)

Our other publications to assist you



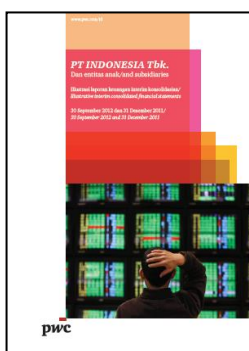
A Practical Guide to new PSAKs for 2012

This is a practical guide to new PSAKs and ISAKs applicable starting 1 January 2012. We highlight the key amendments and the principles of the new standards.



Technical Alert: Bapepam-LK issued New VIII.G.7

This technical alert introduces the revised VIII.G.7 published by Bapepam-LK on 25 June 2012. It is a two page summary that highlights the key presentation and disclosure requirements that we believe will affect the majority of publicly listed companies in Indonesia.



PT Indonesia Tbk and subsidiaries-illustrative interim consolidated financial statements 2012

This is a set of illustrative financial statements that lays out example presentation and disclosure requirements applicable for publicly listed entities in Indonesia. We incorporate the latest VIII.G.7 requirements in this illustrative guide.

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House of Indonesian Generally Accepted Accounting Principles (GAAP)

Background on new regulations

One of the continued challenges for reporting entities in Indonesia is that there can be several overlapping regulations on a particular issue at the same time, and to make matter worse, these regulations are often in conflict with each other. Take the example of the former VIII.G.7 issued by Bapepam-LK twelve years ago. At the time, the Indonesian PSAKs had not converged with IFRS; thus, the disclosure requirements laid out in the former VIII.G.7 were very different. In recent years, more than fifty standards and interpretations have been introduced to converge PSAKs with IFRS and consequently, many conflicts between PSAKs and Bapepam-LK's former VIII.G.7 have arisen.

It was often difficult to determine which regulation (or standard) reporting entities should adhere to. On the one hand, PSAKs are the authoritative accounting literature generally accepted in Indonesia, and publicly endorsed by Bapepam-LK. But on the other hand, Bapepam-LK was still imposing its twelve years old regulation. In that context, Bapepam-LK had to issue a Decree No. KEP - 554/BL/2010 which clarified that in the case of any inconsistency between PSAKs and VIII.G.7, PSAKs prevail.

The decree was necessary to bridge all conflicts created between VIII.G.7 and PSAKs. But two years later, Bapepam-LK has now issued a revised VIII.G.7 that will be applicable for publicly listed entities from 2012 onward. The issue is whether financial reporter should continue to rely on the decree issued by Bapepam-LK stating that whenever there is a conflict between the two PSAKs continue to prevail.



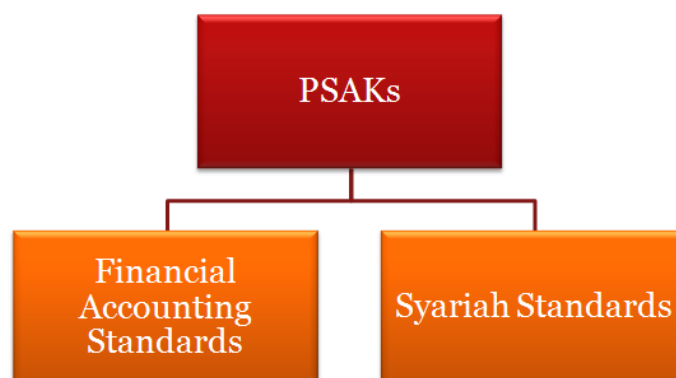
We believe that as a capital market regulator, Bapepam-LK has the authority to impose any financial reporting regulation they see fit on publicly listed entities in Indonesia. Therefore, the VIII.G.7 as revised by Bapepam-LK should be treated as the authoritative regulation above PSAKs.

The decree was issued at the time when Bapepam-LK had not updated its original VIII.G.7. But given the VIII.G.7 has now been revised, the occasional differences between PSAKs and VIII.G.7 generally represent the conscious decisions made by Bapepam-LK to introduce its own interpretations and requirements that are different from PSAKs. Put simply, we believe that this VIII.G.7 regulation ranks higher than PSAKs in the accounting literature hierarchy for publicly listed entities in Indonesia. When the two are in conflict, the revised VIII.G.7 generally prevails.

When new PSAKs are introduced in the future, Bapepam-LK requires financial reporters to comply with the new PSAKs as long as they are not in conflict with VIII.G.7 (see page 3 of the revised VIII.G.7). We realise that it is often challenging to assess the implications of a new accounting standard. Hence, we highly recommend you look at each new standard carefully, and consult with your PwC engagement practice team.

Syariah standards

Islamic entities in Indonesia often apply Syariah accounting standards that can be quite different from the IFRS based financial accounting standards. A question arises as to whether commercial (non-Islamic) reporting entities should also apply Syariah accounting standards to account for Syariah transactions. For example, when a commercial bank enters into a mudharabah transaction with a Syariah Bank, the issue is whether the commercial bank should apply Syariah accounting standards to account for mudharabah or it can use the principles of IFRS based financial accounting standards to account for such mudharabah transactions.



This revised VIII.G.7 emphasises that all Syariah transactions should be accounted for using the Syariah accounting standards applicable in Indonesia. The Syariah accounting standards are seen as an integral part of the PSAKs.

Reporting entities should note that there is no specific accounting standard for Syariah transaction in the IFRS literature. Reporting entities that also need to prepare financial statements in accordance with IFRS as issued by the IASB (International Accounting Standard Boards), should apply the general principles of IFRS to account for Syariah transaction instead. This should be considered as one of the PSAKs – IFRS differences, and consequently the reporting entities may need to provide a reconciliation to explain the different accounting treatment.

Application of the revised VIII.G.7

When it is applicable

This revised VIII.G.7 must be implemented for annual financial statements ending 31 December 2012. Earlier application on the quarterly financial statements is encouraged, but not required.

Transitional provision

The revised VIII.G.7 does not provide any transitional provision. Our view is that, in general, reporting entities should follow the transitional provisions of the relevant related PSAKs. For example, the accounting for land rights is accounted for prospectively from 1 January 2012 onward as governed by ISAK 25, 'Land Rights'.

However, despite not having any transitional provision within VIII.G.7, we highlight the possibility of Bapepam-LK requiring the application of different transitional provisions from those of the PSAKs on certain matters, such as, on the disclosure of experience adjustments (see page 24 of this guide). We will continue to monitor developments in this respect and have included those we are aware of in this publication.

Scope of VIII.G.7

The scope of this revised VIII.G.7 covers:

1. the annual financial statements;
2. the mid-year financial statements (see page 6 of the revised VIII.G.7).

Unlike the former version, the revised VIII.G.7 no longer provides any guidance for financial statements to be used in public offerings; there is also no guidance for quarterly financial information. Instead, reporting entities should now refer to the other regulations for those matters. For example: Bapepam-LK regulation IX.C.2 for public offering and IDX's Membership Rule for quarterly financial reporting.

For quarterly financial reporting, IDX's Membership Rule I-E Kep-306/BEJ/07-2004 requires reporting entities to adhere to the requirements of Bapepam-LK's VIII.G.7. That means that reporting entities need to apply this revised VIII.G.7 regulation to all quarterly and annual financial statements.

Bapepam-LK is in the process of updating a number of existing regulations and may introduce new regulations in the near future. Reporting entities should pay close attention to the latest developments.

General implications

The application of this revised VIII.G.7 may require reporting entities to restate or reclassify some of the prior year accounts. For example; reporting entities may need to rearrange their existing financial position presentation in order to incorporate the new main components or line items introduced by Bapepam-LK in this revised VIII.G.7. Any time reporting entities restate or reclassify prior year balances, they should consider the requirement to present of financial position as at the beginning of the earliest comparative period (commonly known as the third balance sheet).

Further, reporting entities that need to prepare financial statements in accordance with the IFRS as issued by the IASB should consider the implications of the differences created by this revised VIII.G.7. On several occasions, Bapepam-LK has introduced its own interpretations and requirements that are not necessarily the same with the principles found in IFRS as issued by the IASB. This creates a GAAP difference between Indonesian Financial Accounting Standards and IFRS. Consequently, reporting entities that need to comply with IFRS are required to reconcile the differences.

We try to highlight the areas that may result in GAAP differences for you.

Differences between PSAKs and the revised VIII.G.7

Presentation currency

	PSAK 10	VIII.G.7												
Choice of presentation currency Presentation currency is the currency in which the financial statements are presented.	Reporting entities may present its financial statements in any currency in the world. <i>[PSAK 10 paragraph 39]</i>	Presentation currency is limited to either: <ol style="list-style-type: none"> 1. Rupiah; or 2. the entity's functional currency. <i>[See page 4 of the revised VIII.G.7]</i>												
Implications: Bapepam-LK limits the options of presentation currency available to reporting entities. Bapepam-LK's preference is to present financial statements in Rupiah. Reporting entities should start assessing their functional currency immediately to determine the available options. We illustrate the limitation of presentation currency available to reporting entities below (assume the functional currency of the reporting entities is Euro): <table border="1" data-bbox="464 1043 1241 1249"> <thead> <tr> <th>Presentation currency</th><th>PSAK 10</th><th>VIII.G.7</th></tr> </thead> <tbody> <tr> <td>Rupiah</td><td>✓</td><td>✓</td></tr> <tr> <td>€ - Euro</td><td>✓</td><td>✓</td></tr> <tr> <td>US \$</td><td>✓</td><td>NO</td></tr> </tbody> </table>			Presentation currency	PSAK 10	VIII.G.7	Rupiah	✓	✓	€ - Euro	✓	✓	US \$	✓	NO
Presentation currency	PSAK 10	VIII.G.7												
Rupiah	✓	✓												
€ - Euro	✓	✓												
US \$	✓	NO												

Foreign currency translation: use of closing rate

	PSAK 10	VIII.G.7
Use of closing rate to translate assets and liabilities Reporting entities need to translate assets and liabilities from their functional currency to presentation currency at period end closing rate.	It does not prescribe the source of closing rate to be used.	Bapepam-LK requires the use of the closing rate prescribed by Bank Indonesia (BI) (i.e. the Indonesian central bank). <i>[See page 4 of the revised VIII.G.7]</i>
Implications: Expected to be minimal. BI's rates are generally the same as Reuters', and in practice most reporting entities in Indonesia have been using the rates produced by these two reputable sources. A proper review of the rates used by management is warranted.		

Foreign currency translation: use of average rate

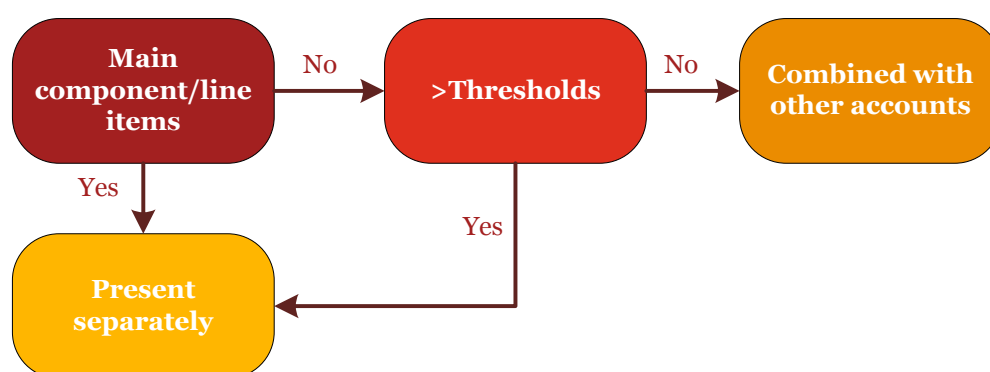
	PSAK 10	VIII.G.7
Use of average rate for the period to translate income and expense items	For practical reasons, reporting entities may use average rate for the period to translate income and expense items, instead of transaction date rates unless the rates fluctuate significantly. [PSAK 10 paragraph 41]	Bapepam-LK does not specifically prescribe the use of average rate in this regulation.
Implications: Bapepam-LK's preference is to require reporting entities to use actual foreign exchange rates effective on the dates of transactions. Although it is not explicitly prescribed, we think it is reasonable to use the average rate if it can be proven that the result translated using average rate will not be materially different from the figures translated using actual historical rates. Therefore, to the extent possible and practical, the use of actual foreign exchange rates is recommended.		

Events after reporting period

	PSAK 8	VIII.G.7
Authorisation date of the financial statements	Authorisation date is the <i>earlier</i> of: <ol style="list-style-type: none"> 1. the date when management gives its assertion that the financial statements has been completed; 2. the date when management expresses its responsibility over the financial statements (usually written). [PSAK 8 paragraph 3]	Authorisation date is the date when management expresses its responsibility in writing (e.g. Directors' statement). [See page 1 of the revised VIII.G.7]
Implications: Expected to be minimal. General practice in Indonesia is that management completes the financial statements on the same day it expresses responsibility in writing (i.e. Directors' statement).		

Presentation of main components or line items

	PSAK 1	VIII.G.7
Main components or line items	<p>PSAK has 34 main components or line items making up the statements of financial position and comprehensive income.</p> <p><i>[PSAK 1 paragraph 52, 81 and 82]</i></p>	<p>Bapepam-LK introduces additional main components or line items, making a total of 62 main components or line items.</p> <p><i>[See page 18 and 35 of the revised VIII.G.7]</i></p>
Main components or line items that need to be presented separately irrespective of materiality	<p>Materiality concept applies. This means, immaterial balances do not need to be presented separately even if they are one of the 34 named main components or line items.</p>	<p>The concept of materiality does not apply. The named 62 main components or line items need to be presented separately if they have a balance greater than Rp1,- (or trivial amount).</p>
Aggregation threshold used to determine separate presentation of line items	<p>No aggregation threshold available. The materiality concept as commonly understood by the investors is used to determine the appropriateness of aggregation of several balances if they are to be presented together.</p> <p><i>[PSAK 1 paragraph 27]</i></p>	<p>For other balances that are not considered to be main components by Bapepam-LK, reporting entities are allowed to aggregate them as long as they do not exceed the following thresholds:</p> <ol style="list-style-type: none"> 1. 5% of total assets for asset accounts; 2. 5% of total liabilities for liability accounts; 3. 5% of total equities for equity accounts; 4. 10% of total revenues for revenues and expenses making up comprehensive income; 5. 10% of pre-tax profit from continuing operations for a single event that is considered material to be disclosed separately. <p>In other words, reporting entities need to present balances that are greater than the thresholds separately as new line items on the statements or financial position and comprehensive income.</p> <p><i>[See page 6 of the revised VIII.G.7]</i></p>

Decision tree:**Implications:**

Reporting entities should carefully evaluate the main components prescribed by Bapepam-LK. The existing presentation should be aligned with the requirements of the revised VIII.G.7. Generally, we expect a higher number of accounts being presented separately on the face of the statements of financial position and comprehensive income.

Reporting entities should also carefully consider whether there is a restatement of prior year balances which requires the presentation of financial position s at the beginning of the earliest comparative period (commonly known as the third balance sheet).

Please refer to Appendix A for illustrative financial statements made by Bapepam-LK in the revised VIII.G.7.

The comparison of main components or line items between original VIII.G.7, revised VIII.G.7, and PSAKs is provided below:

No	VIII.G.7 (2000)	VIII.G.7 (2012)	PSAK
Current assets			
1	Cash and cash equivalents	Cash and cash equivalents	Cash and cash equivalents
2	Account receivables	Trade receivables	Trade and other receivables
3	Other receivables	Other current financial assets	Other financial assets
4	Inventories	Inventories	Inventories
5	Prepaid taxes	Prepaid taxes	Prepaid taxes
6	Prepaid expenses	Prepaid expenses	-
7	-	Assets classified as held for sale	Assets classified as held for sale
8	Short term investment	-	-
9	Notes receivables	-	-
10	Other current assets	-	-
Non-current assets			
11	Receivable from related parties	-	-
12	-	Non-trade receivable from related parties	-
13	-	Other non-current financial assets	Other financial assets

No	VIII.G.7 (2000)	VIII.G.7 (2012)	PSAK
14	Investment in associates	Investment in associates	Investment accounted for using the equity method
15	-	Investment properties	Investment properties
16	Fixed assets	Fixed assets	Fixed assets
17	Intangible assets	Intangible assets	Intangible assets
18	Deferred tax assets	Deferred tax assets	Deferred tax assets
19	Other long-term investment	-	-
20	Other assets	-	-
Current liabilities			
21	Account payables	Trade payables	Trade and other payables
22	Accrued expenses	Accrued expenses	-
23	Taxes payable	Taxes payable	Liabilities for current tax
24	-	Short-term employee benefit liabilities	-
25	Current portion of long-term liabilities	Current portion of long-term liabilities	
26	-	Other short-term financial liabilities	Other financial liabilities
27	Short-term borrowing	-	-
28	-	Short-term share-based payment liabilities	-
29	-	Short-term provisions	Provision
30	Notes payable	-	-
31	Other current liabilities	-	-
32	-	Liabilities relating to assets classified as held for sale	Liabilities relating to assets classified as held for sale
Non-current liabilities			
33	Long-term debt	-	-
34	-	Borrowings from banks and other financial institutions	-
35	Loan from related parties	-	-
36	-	Non-trade payable to related parties	-
37	Capital lease payable	Finance lease liabilities	-
38	Bonds payable	Bonds payable	-
39	-	<i>Sukuk</i>	-
40	Convertible bonds	Convertible bonds	-
41	Other long term liability	-	-
42	-	Other long-term financial liabilities	Other financial liabilities
43	-	Long-term share-based payment liabilities	-

No	VIII.G.7 (2000)	VIII.G.7 (2012)	PSAK
44	-	Long-term employee benefits liabilities	-
45	Deferred tax liabilities	Deferred tax liabilities	Deferred tax liabilities
46	Subordinated loan	Subordinated loan	-
47	-	Long-term provision	Provisions
Non-controlling interest			
48	Minority interest	-	-
Equity			
49	Share capital	Share capital	Share capital
50	Additional paid in capital	Additional paid in capital	-
51	-	Difference resulting from transactions with non-controlling interest	-
52	Treasury shares	Treasury shares	-
53	Retained earnings	Retained earnings	-
54	-	Accumulated other comprehensive income	-
55	Foreign currency translation	-	-
56	Differences in changes in subsidiary company/fellow subsidiary	-	-
57	Differences in under common control transaction	-	-
58	Unrealised profit (loss) from securities available for sale	-	-
59	Differences from revaluation of fixed assets	-	-
60	-	Non-controlling interest	Non-controlling interest
Revenue			
61	Net sales or revenue	Revenue	Revenue
62	Cost of good sold	Cost of good sold	-
63	Gross profit (loss)	Gross profit	-
64	Operating expenses	Operating expenses	-
65	Operating profit (loss)	-	-
66	Other income (expenses)	Other income	-
67		Other expenses	-
68	-	Finance costs	Finance costs
69	Share of profit (loss) from associates	Share of profit (loss) from associates and/or joint venture	Share of profit (loss) from associates and joint venture accounted for using the equity method
70	Profit (loss) before tax	Profit (loss) before tax	
71	Income (expenses) tax	Income (expenses) tax	Tax expenses

No	VIII.G.7 (2000)	VIII.G.7 (2012)	PSAK
72	Profit (loss) from normal activity	Profit (loss) from continuing operation for the year	
73	Extraordinary item	-	-
74	-	Post-tax profit (loss) from discontinued operation	Post-tax profit (loss) from discontinued operation
75	-	-	Post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation
76	Profit (loss) before minority interest	-	-
77	Share of minority interest on subsidiaries net profit (loss)	-	-
78	Net profit (loss)	Profit (loss) for the year	Profit (loss)
	-	Other comprehensive income	Each component of other comprehensive income classified by nature
79	-	-	Share of the other comprehensive income of associates and joint ventures accounted for using the equity method
80	-	Related income tax	-
81	-	Post-tax other comprehensive income	-
82	-	Total comprehensive income (loss) for the year	Total comprehensive income
83	-	Profit (loss) for the year attributable to: a) owner of the Parent; and, b) non-controlling interest	Profit (loss) for the year attributable to: a) owner of the Parent; and, b) non-controlling interest
84	-	Total comprehensive income (loss) for the year attributable to: a) owner of the Parent; and, b) non-controlling interest	Total comprehensive income (loss) for the year attributable to: a) owner of the Parent; and, b) non-controlling interest
85	Basic and diluted earnings per share	Basic and diluted earnings per share	-

Presentation of accounts on the statement of financial position

	PSAK 1	VIII.G.7
Presentation of accounts in the statement of financial position	<p>Accounts can be presented on the statement of financial position based on either:</p> <ol style="list-style-type: none"> 1. current or non-current distinction; 2. order of liquidity, based on the most reliable and relevant presentation. <p><i>[PSAK 1 paragraph 58]</i></p>	<p>The preference of Bapepam-LK is to present accounts based on their current or non-current distinction on the statement of financial position.</p> <p>Presentation of accounts by order of liquidity will be accepted only for certain industries if such presentation provides more relevant and reliable information. Unfortunately, the revised VIII.G.7 does not elaborate which industries it is referring to.</p> <p><i>[See page 17 of the revised VIII.G.7]</i></p>
<p>Implications:</p> <p>Given the revised VIII.G.7 does not specifically prescribe which industries will be able to present accounts by order of liquidity, judgment should be made on whether such presentation would provide more relevant and reliable information. Presentation of accounts by order of liquidity has been a generally accepted practice for banking and financial services industries. It is not clear whether the exemption can be extended to other industries outside of banking and financial services. Therefore, we believe it will be beneficial for reporting entities to obtain confirmation from Bapepam LK's officials if they intend to present their accounts by order of liquidity prior to actually publishing the financial statements.</p> <p>Please refer to Appendix A for illustrative financial statements made by Bapepam-LK in the revised VIII.G.7.</p>		

Statement of comprehensive income: single or two statements

	PSAK 1	VIII.G.7
Presentation of other comprehensive income with the results of operation from the year	<p>Allows the presentation of income and expenses making up profit or loss and other comprehensive income in either:</p> <ol style="list-style-type: none"> 1. single statement; 2. two separate statements. <p><i>[PSAK 1 paragraph 80]</i></p>	<p>Presentation of profit or loss and other comprehensive income needs to be in a single statement.</p> <p><i>[See page 35 of the revised VIII.G.7]</i></p>
<p>Implications:</p> <p>Based on our observation, most reporting entities in Indonesia presented profit or loss and other comprehensive income in two separate statements in 2011. Starting fiscal year 2012, reporting entities have to change the presentation to one single statement.</p> <p>Please refer to Appendix A for illustrative financial statements made by Bapepam-LK in the revised VIII.G.7.</p>		

Analysis of expenses: function or nature

	PSAK 1	VIII.G.7
Analysis of expenses in the statement of comprehensive income	<p>Analysis of expenses in the statement of comprehensive income either by:</p> <ol style="list-style-type: none"> 1. function; 2. nature. <p><i>[PSAK 1 paragraph 98]</i></p>	<p>The preference of Bapepam-LK is to present the analysis of expenses by function on the statement of comprehensive income</p> <p><i>[See page 35 of the revised VIII.G.7]</i></p>
<p>Implications:</p> <p>Given the revised VIII.G.7 does not specifically prescribe which industries will be able to present analysis of expense in the statement of comprehensive income by nature, judgment should be made on whether such presentation would provide more relevant and reliable information. Analysis of expenses in the statement of comprehensive income by nature is a generally accepted practice for certain industries (for example, banks and other financial institutions). It is not clear whether the exemption can be extended to other industries outside of banking and financial services. Therefore for those reporting entities that have presented analysis of expenses by nature in line with the industry practice, we recommend them to obtain confirmation from Bapepam LK's officials if they intend to continue their existing practice prior to actually publishing the financial statements.</p> <p>Please refer to Appendix A for illustrative financial statements made by Bapepam-LK in the revised VIII.G.7.</p>		

Tax effects on components of other comprehensive income

	PSAK 1	VIII.G.7
Presentation of tax effects on components of other comprehensive income	<p>Reporting entities may present components of other comprehensive income, either:</p> <ol style="list-style-type: none"> 1. net of related tax effects; 2. before the related tax effects with one amount shown for the aggregate amount of income tax relating to those components. <p><i>[PSAK 1 paragraph 90]</i></p>	<p>Components of other comprehensive income should be presented before the related tax effects, with one amount shown for the aggregate amount of income tax relating to those components. Only the share of associate's or joint controlled entity's other comprehensive income can be presented net of the related tax effects.</p> <p><i>[See page 37 of the revised VIII.G.7]</i></p>
<p>Implications:</p> <p>Reporting entities should assess the income tax effect on each component of other comprehensive income, and present the aggregated tax effects on a separate line within the statement of comprehensive income.</p> <p>Please refer to Appendix A for illustrative financial statements made by Bapepam-LK in the revised VIII.G.7.</p>		

Comparative information

	PSAK 1	VIII.G.7
Information relating to comparative figures	Only includes prior year narrative information when it is <i>relevant</i> to an understanding of current period's results. [PSAK 1 paragraph 36]	Includes <i>all</i> comparative narrative and descriptive information. [See page 16 of the revised VIII.G.7]
Implications: Bapepam-LK requires the inclusion of all information relating to comparative figures, irrespective of its relevancy to the current year's results. Reporting entities have to reproduce the comparative disclosures in full. Unfortunately, this may result in the financial statements of reporting entities being cluttered by unnecessary information that may no longer be relevant to readers.		

Interim financial statements

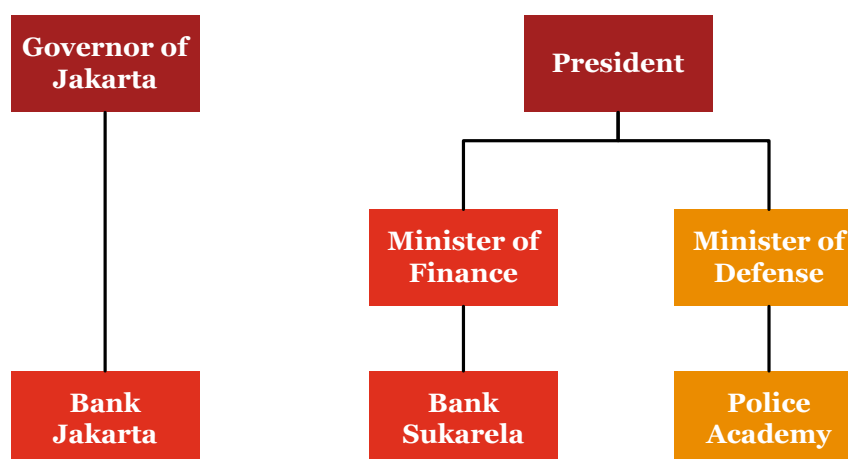
Interim financial statements

	PSAK 3	VIII.G.7		
Periods presented in the interim statements of comprehensive income	<p>Includes the results from the current interim period, cumulatively from the current year-to-date.</p> <p>For comparative, it includes the results from the comparable interim period and the year-to-date results of the immediately preceding year.</p> <p><i>[PSAK 3 paragraph 20]</i></p>	<p>It only includes the current year-to-date results and the comparable results of the immediately preceding year.</p> <p><i>[See page 16 of the revised VIII.G.7]</i></p>		
Example:				
	30 June 2012 (6 months)	30 June 2012 (3 months)	30 June 2011 (6 months)	30 June 2011 (3 months)
PSAK	✓	✓	✓	✓
VIII.G.7	✓	-	✓	-
Implications:				
Generally, Bapepam-LK requires fewer periods to be included in the interim financial statements. We believe that reporting entities may elect to present quarterly results as additional information if they wish to.				
If only the year to date results, and similar comparative, are presented; it creates a GAAP difference with IFRS as issued by the IASB. Reporting entities need to prepare the additional quarterly information as required by IAS 34, ‘Interim Financial Reporting’ for their financial statements to be compliant with IFRS.				

Related party disclosures: government related entities

	PSAK 7	VIII.G.7
Definition of government related entities	PSAK 7 has a broader scope of government related entities. It refers to entities controlled, jointly controlled, or significantly influenced by government agencies and similar bodies whether local, national, or international. [PSAK 7 paragraph 9]	Bapepam-LK introduces a much narrower scope of government related entities; they are simply entities controlled by the Minister of Finance (<i>Menteri Keuangan</i>) and Provincial Government (<i>Pemerintah Daerah</i>). [See page 10 of the revised VIII.G.7]
Exemption on disclosing transactions and balances with government related entities	Both PSAK 7 and the revised VIII.G.7 give the same exemption in disclosing transactions and balances with government related entities. [See PSAK 7 paragraph 24 and 25, and also page 79 and 80 of the revised VIII.G.7]	

Example:



Under PSAK 7, Bank Sukarela is related to the Police Academy because both entities are controlled by the President of Republic Indonesia. Bank Sukarela is also related to the entity controlled by the Provincial Government, Bank Jakarta.

Under Bapepam-LK's definition however, Bank Sukarela is not related to the Police Academy because it is not controlled by the Minister of Finance; but it is related to another entity controlled by the Provincial Government, Bank Jakarta.

Implications:

This much narrower scope introduced by Bapepam-LK for reporting entities in Indonesia results in a GAAP difference with that of the IFRS. Consequently, government related entities that also need to prepare financial statements in accordance with the IFRS as issued by the IASB, need to reconcile the difference in the amount of related party transactions reported under both standards, in a note to the financial statements.

Note: In accordance with Government Regulation No.41/2003, several authorities of the Minister of Finance to control and supervise the state-owned enterprise are delegated to the Minister of State-Owned Enterprise. The revised VIII.G.7 implies that ultimate control of state-owned enterprises lies with the Minister of Finance

Related party transactions: materiality

	PSAK 7	VIII.G.7
Materiality threshold for disclosure of related party transactions and balances	PSAK does not prescribe any materiality threshold. The materiality concept as commonly understood by the investors is used to determine the sufficiency of disclosures.	Bapepam-LK introduces a specific materiality threshold for disclosure of related party transactions. <i>[See page 78 of the revised VIII.G.7]</i>
<p>Bapepam-LK's thresholds:</p> <div style="display: flex; justify-content: space-around; align-items: flex-start;"> <div style="text-align: center;"> <div style="background-color: #800000; color: white; padding: 5px; border-radius: 10px; width: 150px; margin: 0 auto;">Related individuals</div> <div style="background-color: #f0e6e6; padding: 10px; border-radius: 10px; width: 150px; margin: 10px auto;">Rp 1,- billion</div> </div> <div style="text-align: center;"> <div style="background-color: #ff8c00; color: white; padding: 5px; border-radius: 10px; width: 150px; margin: 0 auto;">Related entities</div> <div style="background-color: #fff2cc; padding: 10px; border-radius: 10px; width: 150px; margin: 10px auto;">0.5% of Paid in Capital</div> </div> </div> <ul style="list-style-type: none"> • Transactions with related individuals above Rp1,- billion are considered by Bapepam-LK to be material. • Transactions with related entities above 0.5% of paid in capital are considered by Bapepam-LK to be material. 		
<p>Implications:</p> <p>The threshold introduced by Bapepam-LK above is generally considered to be quite low for many reporting entities. Hence, we expect more related party transactions will be considered material and will require disclosure in financial statements.</p>		

Compensation paid to key management personnel (KMP)

	PSAK 7	VIII.G.7
Disclosure of compensation paid to KMP	<p>PSAK 7 requires disclosures of total compensation made to KMP for each of the following categories:</p> <ol style="list-style-type: none"> 1. short-term employment benefits; 2. post-employment benefits; 3. other long-term benefits; 4. termination benefits; and 5. share-based payment. <p>Note: KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.</p> <p><i>[PSAK 7 paragraph 16]</i></p>	<p>Bapepam-LK does not only require an analysis of compensation by the categories stated in the adjacent column, but also requires the disclosure to be further broken down for compensation made to:</p> <ol style="list-style-type: none"> 1. each individual that is part of the KMP; 2. total compensation made to Board of Commissioners, total made to Board of Directors, total made to shareholders that are part of management; and total made to other members of the KMP. <p>Reporting entities can choose either one of the two approaches above.</p> <p><i>[See page 79 of the revised VIII.G.7]</i></p>

Example :

Periode yang berakhir pada 31 Desember 2012/ Period ended 31 December 2012									
	Dewan Direksi/ Board of Directors		Dewan Komisaris/ Board of Commissioner		Pemegang saham utama yang juga bagian dari manajemen/ Shareholders that are part of management		Personil manajemen kunci lainnya/ Other key management personnel		
	%	Rp	%	Rp	%	Rp	%	Rp	
Gaji dan imbalan karyawan jangka pendek lainnya	x%	XXXXXX	x%	XXXXXX	x%	XXXXXX	x%	XXXXXX	Salary and other short-term employee benefits
Pesangon pemutusan hubungan kerja	x%	XXXXXX	x%	XXXXXX	x%	XXXXXX	x%	XXXXXX	Termination benefits
Imbalan pascakerja	x%	XXXXXX	x%	XXXXXX	x%	XXXXXX	x%	XXXXXX	Post-employment benefits
Imbalan jangka panjang lainnya	x%	XXXXXX	x%	XXXXXX	x%	XXXXXX	x%	XXXXXX	Other long-term benefits
Pembayaran berbasis saham	x%	XXXXXX	x%	XXXXXX	x%	XXXXXX	x%	XXXXXX	Share-based payments
Jumlah	x%	XXXXXX	x%	XXXXXX	x%	XXXXXX	x%	XXXXXX	Total

Implications:

The disclosure of compensation made to KMP has been subject to a lot of scrutiny by Bapepam-LK in recent years. In general, Bapepam-LK is asking for reporting entities to provide more detailed analysis of the types of compensation made during the year, and not simply to disclose a total aggregated amount.

Although it is not currently written in the regulation, we understand that the materiality concept does not apply for disclosure of compensation made to KMP. In other words, every Rp1,- will be considered material. This may be a controversial issue considering the sensitivity and confidentiality of the information that needs to be disclosed. Therefore, we recommend management track all transactions made with KMP members and carefully tailor the disclosure to comply with Bapepam-LK's requirement.

In addition, Bapepam-LK does not specifically prescribe which parties make up KMP in the revised VIII.G.7. KMP members may not be strictly limited to Board of Commissioners, Board of Directors, and shareholders. Reporting entities should also determine whether there are other parties that need to be considered as KMP in accordance with the guidance found in PSAK 7. There may be other officials that should be considered as KMP; for example, chief financial officer and chief operating officer that are not member of the Board. Therefore, reporting entities are responsible for the completeness of the disclosure, and they may use the "Other key management personnel" category to disclose the compensation made to other KMP members that are not part of the Board or shareholders of the companies.

Assets revaluation: fixed assets, intangible assets and investment properties

	PSAK 13, 16 and 19	VIII.G.7
Frequency of revaluation	<p>For reporting entities that adopt the revaluation model for their fixed assets, intangible assets, or investment properties, PSAK requires revaluation to be completed with sufficient regularity so that the recorded amount does not differ materially from fair value at the end of the reporting period.</p> <p>However, PSAK does not prescribe how often the revaluation should be completed.</p> <p><i>[PSAK 16 paragraph 34 and PSAK 19 paragraph 79]</i></p>	<p>Bapepam-LK is regulating the frequency of revaluation.</p> <p>Revaluation needs to be performed every year for assets for which fair values are expected to fluctuate significantly; or at least once every three years if reporting entities do not expect significant fair value fluctuation.</p> <p><i>[See page 78 of the revised VIII.G.7]</i></p>
Independent valuation specialist (appraiser)	<p>PSAK simply sets out the general principle that revaluation is normally undertaken by a professionally qualified valuer (i.e. appraiser).</p> <p><i>[PSAK 16 paragraph 32]</i></p>	<p>Revaluation needs to be undertaken by an independent valuer currently registered with Bapepam-LK.</p> <p><i>[See page 17 of the revised VIII.G.7]</i></p>

Implications:

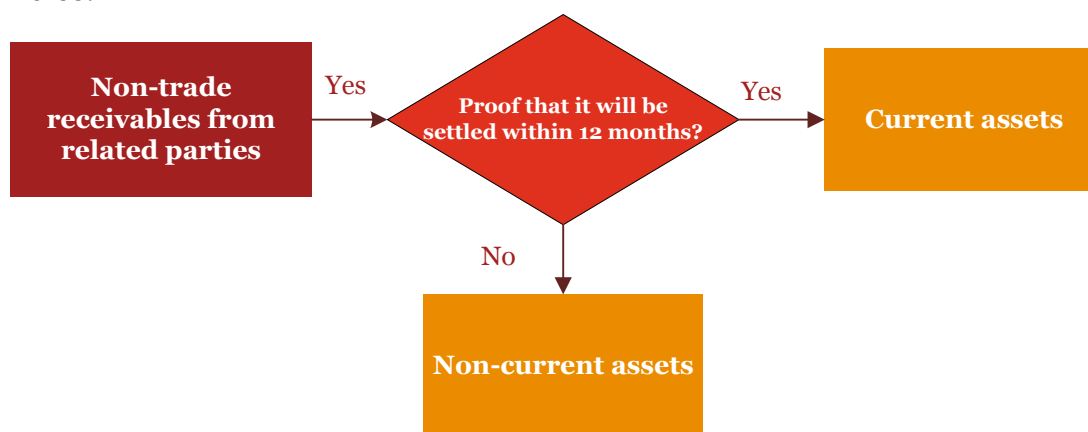
Allowing only an independent valuer currently registered with Bapepam-LK to conduct an appraisal of reporting entities' fixed assets, intangible assets, and investment properties can be practically challenging; especially for reporting entities with foreign subsidiaries overseas. An appraiser in Indonesia may not necessarily understand all the complexities, regulations, and market trends that should be considered in appraising assets in overseas territories. It may still be possible to have an overseas valuer to complete the task, as long as such a party is properly affiliated with an independent valuer currently registered with Bapepam-LK in Indonesia. Therefore, reporting entities need to ensure the qualifications of the independent valuer engaged.

Questions have also been asked by some preparers regarding whether the requirement above is extended to valuations completed as part of a purchase price allocation in a business combination. Our current understanding of this revised VIII.G.7 is that only the revaluation of fixed assets, intangible assets, and investment properties are part of the revaluation asset model that needs to be completed by the Bapepam-LK registered valuer.

Furthermore, reporting entities may also need to change their frequency of revaluation in order to comply with Bapepam-LK's requirement.

Non-trade receivables from related parties

	PSAK 1	VIII.G.7
Presentation	<p>Determination whether an asset is classified as current or non-current should be made based on the general principle written in PSAK 1 paragraph 64. Assets are included in current when entities:</p> <ol style="list-style-type: none"> 1. expect to realise the asset, or intends to sell or consume it, in its normal operating cycle or within 12 months; 2. held the asset primarily for the purposes of trading. 	<p>Non-trade receivables from related parties are defined by Bapepam-LK as receivables that are not part of normal trading activities.</p> <p>Bapepam-LK's presumption is that non-trade receivables from related parties are always part of non-current assets, unless reporting entities can rebut such presumption. The literal reading of the rule requires reporting entities to come up with some sort of evidence to prove why the current presentation is appropriate.</p> <p><i>[See page 22 of the revised VIII.G.7]</i></p>

Decision tree:**Implications:**

Reporting entities may need to provide evidence to prove why presentation of non-trade receivable from related parties as current assets is justifiable. Unfortunately, the revised VIII.G.7 does not provide any guidance on what kind of evidence Bapepam-LK is looking for. To be able to rebut Bapepam-LK's presumption, reporting entities would need to look for things like historical payment records and commitments for settlement to assess the appropriateness of the presentation on the statement of financial position.

Under IFRS, there is no default presumption that non-trade receivables from related parties will never be settled within the next twelve months. As such, this default presumption introduced by Bapepam-LK may potentially create a GAAP difference with IFRS as issued by the IASB. Reporting entities need to carefully assess each situation according to the facts and circumstances, and reconcile the difference in the financial statements when needed if they are to be compliant with IFRS.

Financial liabilities: transaction costs

	PSAK 50 and 55	VIII.G.7
Treatment of transaction cost	<p>According to PSAK 55 any transaction costs relating to the issue of financial liabilities measured at amortised cost are <i>deducted</i> from the proceeds received in calculating the effective interest rate of the financial liability.</p> <p>[PSAK 55 paragraph 43]</p>	<p>Bapepam-LK regulation requires any transaction costs relating to the issue of financial liabilities measured at amortised cost to be <i>added</i> to the proceeds received in calculating the effective interest rate of the financial liability.</p> <p>[See page 15 and 16 of the revised VIII.G.7]</p>

Implications:

We believe the difference between PSAKs and the revised VIII.G.7 can simply be attributed to an unfortunate editorial error in the Revised VIII.G.7. Transaction costs represent an expense to reporting entities (a debit entry), and therefore they should be deducted from the proceeds received in calculating the effective interest rate of the financial liability.

Taxes Payable: presentation

	PSAK 1	VIII.G.7
Presentation of taxes payable on the statement of financial position	As defined by PSAK 46, taxes payable represents any unpaid <i>current income tax</i> . [PSAK 46 paragraph 12]	Under Bapepam-LK regulation, taxes payable represents: 1. current income tax (as defined by PSAK 46); 2. other taxes (e.g. VAT, etc). [See page 26 of the revised VIII.G.7]

Example:

	<u>31 Desember/ December 2012</u>	<u>Catatan/ Notes</u>	<u>31 Desember/ December 2011</u>	
Utang pajak		13b		<i>Taxes payable</i>
- Pajak penghasilan	XXXXXX		XXXXXX	<i>Income tax -</i>
- Pajak lain-lain	XXXXXX		XXXXXX	<i>Other taxes -</i>

Implications:

The revised VIII.G.7 requires that aside from deferred tax, all other types of taxes should be presented together as taxes payable on the statement of financial position. In the past, reporting entities might have presented other taxes (other than corporate income tax) as a sub-account of taxes payable as shown in the example above. We believe such presentation continues to be appropriate.

Under IFRS, only income tax within the scope of IAS 12, 'Income Taxes', is presented as taxes payable. All other types of taxes are usually included as part of general accruals account on the statement of financial position under IFRS. The Bapepam-LK's requirement to present all types of taxes together creates a GAAP difference with IFRS as issued by the IASB. In order to comply with IFRS, reporting entities need reconcile this difference.

Changes in accounting policies

	PSAK 25	VIII.G.7
Cause of changes in accounting policies	<p>PSAK mentions that a change in accounting policy should be made only if:</p> <ol style="list-style-type: none"> 1. the change is required by a standard or an interpretation; or 2. if the change will result in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entities' financial position, financial performance or cash flows. <p><i>[PSAK 25 paragraph 14]</i></p>	<p>As well as the two conditions which trigger changes in accounting policy as prescribed by PSAK, Bapepam-LK mentions that changes in accounting policy could also be caused by requirements of laws and regulations.</p> <p><i>[See page 9 of the revised VIII.G.7]</i></p>
Implementation of changes in accounting policies	<p>The changes should be implemented:</p> <ol style="list-style-type: none"> 1. according to transitional provisions (if any); 2. retrospectively if there are no specific transitional provisions, or if it is a voluntary change in accounting policy. <p><i>[PSAK 25 paragraph 19]</i></p>	<p>Bapepam-LK does not specify how changes in accounting policy should be implemented.</p>

Implications:

If a change in law and regulation has an impact to entities' accounting treatment for its business, reporting entities should carefully assess whether the change should be treated as change in accounting policy as required by Bapepam-LK. This may not always be regarded as a change in accounting policy under PSAK where in some circumstances it would simply be regarded as a new type of transaction.

Since Bapepam-LK does not specifically stipulate how to treat changes in accounting policy in financial statements, reporting entities may follow the treatment prescribed by PSAK. However, as has been discussed before in this publication, Bapepam-LK does not specify any transitional provision in the revised VIII.G.7 which implies that any changes in accounting policy may have to be treated retrospectively. Further consultation and discussion with your PwC engagement practice team is highly recommended.

This is also an area that may result in a GAAP difference with the IFRS as issued by the IASB. There is no default ruling under IFRS that the application new laws and regulations constitute a change of accounting policy. Each situation needs to be assessed carefully according to the facts and circumstances.

New additional disclosures introduced by Bapepam-LK that are not found in PSAKs

Bapepam-LK continues to require many additional disclosures not found in PSAKs. The additional disclosure requirements contained in the original version of VIII.G.7 are, for the most part, carried forward to this revised version of VIII.G.7 by Bapepam-LK. Therefore, reporting companies are expected to make more disclosures when preparing financial statements under the revised version of VIII.G.7.

In the section below, we have highlighted the new additional disclosure requirements required by Bapepam-LK in the revised VIII.G.7 that are not found in PSAKs. Disclosure requirements that are simply carried forward from the original version of VIII.G.7 are not discussed here.

Disclosure of income tax reconciliation

	PSAK 46	VIII.G.7
Disclosure of income tax reconciliation	Reconciliation of taxable income and accounting income completed on a <i>consolidated</i> basis. [PSAK 46 paragraph 88]	Reconciliation of taxable income and accounting income completed on a <i>consolidated</i> basis and <i>stand-alone</i> entity basis. [See page 81 of the revised VIII.G.7]

Example of the Revised VIII.G.7 requirements

1. Consolidated

	2012	2011	
Laba konsolidasian sebelum pajak penghasilan	XXXXXX	XXXXXX	Consolidated profit before income tax
Pajak dihitung dengan tarif pajak yang berlaku	XXXXXX	XXXXXX	Tax calculated at applicable tax rates
Dampak pajak penghasilan pada:			Tax effects of:
- Laba setelah pajak entitas asosiasi	(XXXXXX)	(XXXXXX)	Associates' result reported - net of tax
- Penghasilan tidak kena pajak	(XXXXXX)	(XXXXXX)	Income not subject to tax -
- Beban yang tidak dapat dikurangkan untuk tujuan perpajakan	XXXXXX	XXXXXX	Expense not deductible for - tax purposes
Penyesuaian periode lalu	XXXXXX	XXXXXX	Adjustment in respect of prior periods
Beban pajak penghasilan	XXXXXX	XXXXXX	Income tax expenses

2. Stand-alone

	2012	2011	
Laba konsolidasian sebelum pajak penghasilan	XXXXXX	XXXXXX	Consolidated profit before income tax
Dikurangi: laba sebelum pajak penghasilan - entitas anak	XXXXXX	XXXXXX	Less: profit before income tax subsidiaries
Disesuaikan dengan jurnal eliminasi konsolidasi	XXXXXX	XXXXXX	Adjusted for consolidation elimination
Laba sebelum pajak penghasilan Perusahaan	XXXXXX	XXXXXX	Profit before income tax of the Company

Penyesuaian pajak:			<i>Fiscal adjustments:</i>
Beban natura			<i>Benefit in kind</i>
Pendapatan dividen	XXXXXX	XXXXXX	<i>Dividend income</i>
Lain-lain	XXXXXX	XXXXXX	<i>Others</i>
	XXXXXX	XXXXXX	
Penghasilan kena pajak Perusahaan	XXXXXX	XXXXXX	<i>Taxable income of the Company</i>
Beban pajak penghasilan kini Perusahaan – tidak final	XXXXXX	XXXXXX	<i>Current income tax expenses of the Company – non final</i>
Pembayaran pajak di muka Perusahaan	XXXXXX	XXXXXX	<i>Prepayment of income taxes of the Company</i>
Utang pajak penghasilan Perusahaan	XXXXXX	XXXXXX	<i>Income tax payable of the Company</i>
Beban pajak penghasilan kini entitas anak – tidak final	XXXXXX	XXXXXX	<i>Current income tax expenses of subsidiaries – non final</i>
Pembayaran pajak di muka entitas anak	XXXXXX	XXXXXX	<i>Prepayment of income taxes of subsidiaries</i>
Utang pajak penghasilan entitas anak	XXXXXX	XXXXXX	<i>Income tax payable of subsidiaries</i>
Utang pajak penghasilan konsolidasian	XXXXXX	XXXXXX	<i>Consolidated income tax payable</i>

Implications:
Reporting entities need to disclose both stand-alone and consolidated income tax reconciliation in the financial statements.

Employee benefits: four years comparative disclosures

	PSAK 24	VIII.G.7
Four years comparative disclosures	<p>Both PSAK 24 and Bapepam-LK regulation require disclosure of five years of:</p> <ol style="list-style-type: none"> 1. present value of benefit obligation; 2. fair value of plan assets; 3. experience adjustments (the effects of the differences between the estimated actuarial assumptions and what has actually occurred). <p><i>[See PSAK 24 paragraph 135(p) and page 68 of the revised VIII.G.7]</i></p>	
Transitional provision	<p>PSAK 24 introduces a transitional provision that allows five years disclosure requirement to be applied prospectively.</p> <p><i>[PSAK 24 paragraph 160]</i></p>	<p>Bapepam-LK regulation does not specify any transitional provisions related to this disclosure requirement.</p>

Disclosure example of the revised VIII.G.7 in 2012 financial statements:

	2012	2011	2010	2009	2008
At 31 December					
Present value of defined benefit obligation	11,391	5,495	4,187	3,937	3,823
Fair value of plan assets	(6,611)	(3,099)	(2,471)	(2,222)	(2,102)
Deficit in plan	4,780	2,396	1,716	1,715	1,721
Experience adjustments on plan liabilities	(17)	705	55	18	(32)
Experience adjustments on plan assets	17	-	(197)	(50)	(16)

Application of prospective transitional provision per PSAK 24:

Experience adjustment that needs to be disclosed	Financial year				
	2012	2013	2014	2015	2016
Adjustment for 2012	✓	✓	✓	✓	✓
Adjustment for 2013	-	✓	✓	✓	✓
Adjustment for 2014	-	-	✓	✓	✓
Adjustment for 2015	-	-	-	✓	✓
Adjustment for 2016	-	-	-	-	✓

For examples; in the 2013 financial year reporting entities need to disclose experience adjustments that have arisen in 2012 and 2013; whereas, in the 2014 financial year reporting entities need to disclose experience adjustments that have arisen in 2012, 2013, and 2014.

Implications:

Considering that there is no transitional provision in Bapepam-LK's regulation, one possible interpretation is to require reporting entities to make the disclosures retrospectively, as shown in the example above. Reporting entities will have to go back four years to obtain the necessary information.

Alternatively one can interpret that in the absence of a specific transitional provision given by Bapepam-LK, reporting entities should refer back to the provision written in PSAK 24. Meaning that this disclosure requirement is to be applied prospectively.

In our view, it seems that it is not Bapepam-LK's intention to make VIII.G.7 a substitute of PSAKs. Therefore, it will not be unreasonable for reporting entities to conclude that they should still adhere to the specific transitional provision written in PSAK 24 in the absence of a specific guidance written in the revised VIII.G.7.

At the time this publication is written, however, it is unfortunate that no clarification has been provided. Any future clarification will be shared to you in due course as soon as it becomes available. In the meantime, we recommend reporting entities consult with the actuaries immediately in order to gather the appropriate supporting information for the four year comparative disclosures of present value of benefit obligation, fair value of plan assets and experience adjustment.

Fair value of fixed assets

	PSAK 16	VIII.G.7
Fair value disclosure	<p>PSAK 16 <i>encourages</i> reporting entities which use a cost model to account for the fixed assets to disclose the fair value of fixed assets if they are expected to be significantly different from the carrying values.</p> <p>[PSAK 16 paragraph 80]</p>	<p>Bapepam-LK regulation <i>requires</i> reporting entities to disclose the fair value of fixed assets if they are expected to be significantly different from carrying values.</p> <p>[See page 60 of the revised VIII.G.7]</p>

Implications:

Bapepam-LK regulation implies that reporting entities have to complete a fair value assessment in order to determine whether fair value is significantly different from carrying amount.

This requirement can be quite burdensome for the majority of reporting entities, especially those that have land, mining properties, and other fixed assets whose fair value may fluctuate from year to year. At the time this publication is written, however, it is unfortunate that no clarification has been provided. Any future clarification will be shared to you in due course as soon as it becomes available. In the meantime, the required disclosure should be made if fair value expected to be significantly different from carrying values.

In the absence of a specific requirement to use an independent valuer to estimate the fair value of fixed assets for disclosure purpose, we believe that it will not be unreasonable for reporting entities to start with their own internal valuation to estimate fair value. Whichever approach is taken, reporting entities need to be able to justify the methods and assumptions used in estimating the fair value of fixed assets.

Business combination

	VIII.G.7
Compliance to all Bapepam-LK regulations in a business combination	<p>In the case of a business combination, Bapepam-LK requires reporting entities to disclose that the business combination has been conducted and completed in conformity with all Bapepam-LK regulations.</p> <p>[See page 86 of the revised VIII.G.7]</p>

Implications:

Bapepam-LK is asking for a very general representation. Since it does not specify which particular regulation needs to be conformed with, it increases the risk of incompliance. Generally, the accounting principles prescribed by Bapepam-LK are documented in the revised VIII.G.7. However, there are many other regulations concerning the way reporting entities should conduct a business combination.

Therefore, we recommend reporting entities carefully consider all regulations relating to business combinations (e.g. IX.E.2 – Material Transactions; IX.E.1 – Conflicting Interests from a Particular Transaction; IX.G.1 – Business Combinations; IX.H.1 – Acquisition of a Listed Company, etc). Further consultation with a legal advisor is highly recommended.

Component of finance costs

	PSAK 1	VIII.G.7
Component of finance costs	PSAK 1 does not specify the components making up finance costs.	Under Bapepam-LK regulation, finance costs include borrowing costs and the following: <ol style="list-style-type: none"> 1. impairment on available-for-sale financial assets; 2. net loss on financial instrument classified as fair value through profit or loss. <p><i>[See page 77 of the revised VIII.G.7]</i></p>

Implications:

The implication will vary between reporting entities. Reporting entities with a straight-forward financing arrangement, for example with finance costs that are mainly made up of the borrowing cost of debt instruments, will not need any modification to the existing presentation.

However, given finance costs are not clearly defined in the PSAKs literature, some reporting entities have presented fair value changes of their financial instruments as part of other costs, outside of finance costs. Investment in financial instruments is seen as an operating activity instead of financing; and hence, the fair value changes are presented outside of finance costs category. If that is the case, the revised VIII.G.7 seems to require a reclassification of fair value changes to finance costs. We encourage you to consult with your PwC engagement practice team if this is applicable.

Additional disclosure requirements

No	Matters	Requirements
1	Related party	In disclosing transaction with related parties, reporting entities also required to disclose percentage of the transactions to related total revenue and expenses. For the balances from or to related parties, percentage of the balance to total assets or liabilities should also be disclosed. <p><i>[See page 79 of the revised VIII.G.7]</i></p>
2	Difference in Value from Restructuring of Entities Under Common Control (SNTRES)	Bapepam-LK requires SNTRES to be disclosed as part of additional paid-in capital. <p><i>[See page 32 of the revised VIII.G.7]</i></p>
3	Investment property	In the case of using the fair value model on investment property, reporting entities should disclose the following additional information: <ol style="list-style-type: none"> 1. name of the appraiser; 2. date of appraisal; 3. information on when the last formal appraisal report was completed. <p><i>[See page 57 of the revised VIII.G.7]</i></p>
4	Fixed assets	In the case of using the revaluation model on fixed assets, reporting entities should disclose additional information on when the last formal appraisal report was completed.

No	Matters	Requirements
		<p>Bapepam-LK also requires disclosing of the following information relating to fixed assets of reporting entities:</p> <ol style="list-style-type: none"> 1. a statement that management has reassessed the estimated economic lives, depreciation methods, and residual values at period-end; 2. the carrying amount of temporarily idle fixed assets; 3. the gross carrying amount of any fully depreciated assets that are still in use; 4. the carrying amount of fixed assets retired from active use and not classified as held for sale in accordance with PSAK 58. <p><i>[See page 59 and 60 of the revised VIII.G.7]</i></p>
5	Reconciliation between Indonesian Financial Accounting Standard and Financial Accounting Standard from other countries	<p>Bapepam-LK added a requirement for issuers or public entities which are also preparing financial statements under other countries' accounting standard in order to fulfill requirement from other countries' capital market regulators or to issue securities in other countries.</p> <p>Such reporting entities are required to disclose:</p> <ol style="list-style-type: none"> 1. summary of differences between both financial accounting standards; 2. reconciliation and explanation for differences on statements of financial position items; and, 3. reconciliation and explanation for differences on statements of comprehensive income items. <p>Bapepam-LK also requires such reporting entities to include any other additional disclosures required by the other countries' capital market regulators in its financial statements.</p> <p><i>[See page 97 of the revised VIII.G.7]</i></p>

Appendix A: Bapepam-LK's illustrative of financial statement

PT EMITEN OR PUBLIC ENTITIES TBK AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 20x2 AND 20x1
(Expressed in thousands of Rupiah, unless otherwise stated)

	<u>Notes</u>	<u>20x2</u>	<u>20x1</u>
Assets			
Current assets			
Cash and cash equivalent		XXXXXX	XXXXXX
Trade receivables			
Third parties		XXXXXX	XXXXXX
Related parties		XXXXXX	XXXXXX
Other current financial assets		XXXXXX	XXXXXX
Inventories		XXXXXX	XXXXXX
Prepaid taxes		XXXXXX	XXXXXX
Prepayments		XXXXXX	XXXXXX
Non-current assets or disposal groups classified as held for sale		<u>XXXXXX</u>	<u>XXXXXX</u>
Total current assets		<u>XXXXXX</u>	<u>XXXXXX</u>
Non-current assets			
Non-trade receivables from related parties		XXXXXX	XXXXXX
Other non-current financial assets		XXXXXX	XXXXXX
Investment in associates		XXXXXX	XXXXXX
Investment properties		XXXXXX	XXXXXX
Fixed assets		XXXXXX	XXXXXX
Intangible assets		XXXXXX	XXXXXX
Deferred tax assets		<u>XXXXXX</u>	<u>XXXXXX</u>
Total non-current assets		<u>XXXXXX</u>	<u>XXXXXX</u>
Total assets		<u>XXXXXX</u>	<u>XXXXXX</u>

The accompanying notes form an integral part of these consolidated financial statements

PT EMITEN OR PUBLIC ENTITIES TBK AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 20x2 AND 20x1
(Expressed in thousands of Rupiah, unless otherwise stated)

	<u>Notes</u>	<u>20x2</u>	<u>20x1</u>
Liabilities and equity			
Liabilities			
Current liabilities			
Trade payables		XXXXXX	XXXXXX
Accrued expenses		XXXXXX	XXXXXX
Taxes payable		XXXXXX	XXXXXX
Short-term employee benefit liabilities		XXXXXX	XXXXXX
Current portion of long-term liabilities		XXXXXX	XXXXXX
Other short-term financial liabilities		XXXXXX	XXXXXX
Current portion of share-based payment liabilities		XXXXXX	XXXXXX
Short-term provisions		XXXXXX	XXXXXX
Liabilities relating to non-current assets disposal groups classified as available-for-sale		<u>XXXXXX</u>	<u>XXXXXX</u>
Total current liabilities		<u>XXXXXX</u>	<u>XXXXXX</u>
Non-current liabilities			
Long-term borrowings from bank and other financial institutions		XXXXXX	XXXXXX
Non-trade payable to related parties		XXXXXX	XXXXXX
Finance lease liabilities		XXXXXX	XXXXXX
Bonds payable		XXXXXX	XXXXXX
<i>Sukuk ijarah</i>		XXXXXX	XXXXXX
Convertible bonds		XXXXXX	XXXXXX
Other long-term financial liabilities		XXXXXX	XXXXXX
Long-term share-based payment liabilities		XXXXXX	XXXXXX
Long-term employee benefits liabilities		XXXXXX	XXXXXX
Deferred tax liabilities		XXXXXX	XXXXXX
Subordinated loan		XXXXXX	XXXXXX
Long-term provisions		<u>XXXXXX</u>	<u>XXXXXX</u>
Total non-current liabilities		<u>XXXXXX</u>	<u>XXXXXX</u>
Total liabilities		<u>XXXXXX</u>	<u>XXXXXX</u>

The accompanying notes form an integral part of these consolidated financial statements

PT EMITEN OR PUBLIC ENTITIES TBK AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 20x2 AND 20x1
(Expressed in thousands of Rupiah, unless otherwise stated)

	<u>Notes</u>	<u>20x2</u>	<u>20x1</u>
Equity			
Equity attributable to owner of the Parent			
Share capital			
Authorised - x shares as of			
31 December 20x2 (x shares as at			
31 December 20x1) - par value of			
Rpxxx as at 31 December 20x2 (par			
Value of Rpxxx as at 31 December 20x1)			
(full amount)			
Issued and paid - x shares as at			
31 December 20x2 (x shares as at			
31 December 20x1)		XXXXXX	XXXXXX
Additional paid in capital - net		XXXXXX	XXXXXX
Difference on transaction with			
non-controlling interest		XXXXXX	XXXXXX
Treasury shares		XXXXXX	XXXXXX
Retained earnings		XXXXXX	XXXXXX
Other comprehensive income		<u>XXXXXX</u>	<u>XXXXXX</u>
Total equity attributable to owners of the parents		<u>XXXXXX</u>	<u>XXXXXX</u>
Non-controlling interest		<u>XXXXXX</u>	<u>XXXXXX</u>
Total equity attributable to the Parent of the Company		<u>XXXXXX</u>	<u>XXXXXX</u>
Total liabilities and equity		<u>XXXXXX</u>	<u>XXXXXX</u>

The accompanying notes form an integral part of these consolidated financial statements

PT EMITEN OR PUBLIC ENTITIES TBK AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
31 DECEMBER 20x2 AND 20x1
(Expressed in thousand Rupiah, unless otherwise stated)

	<u>Notes</u>	<u>20x2</u>	<u>20x1</u>
Continuing operations			
Revenue		XXXXXXX	XXXXXX
Cost of revenue		<u>(XXXXXX)</u>	<u>(XXXXXX)</u>
Gross profit		<u>XXXXXX</u>	<u>XXXXXX</u>
Other income		XXXXXXX	XXXXXX
Operating expenses		(XXXXXX)	(XXXXXX)
Other expenses		<u>(XXXXXX)</u>	<u>(XXXXXX)</u>
Operating profit		<u>XXXXXX</u>	<u>XXXXXX</u>
Finance costs		(XXXXXX)	(XXXXXX)
Share of profit/(loss) from associates and/or joint ventures		<u>XXXXXXXX</u>	<u>XXXXXX</u>
Profit/(loss) from continuing operations before income tax		XXXXXX	XXXXXX
Income tax (expenses)/benefit		<u>(XXXXXX)</u>	<u>(XXXXXX)</u>
Profit/(loss) for the year from continuing operations		XXXXXX	XXXXXX
Discontinued operations			
Post-tax profit/(loss) for the period from discontinued operations, net of tax		<u>XXXXXX</u>	<u>XXXXXX</u>
Profit/(loss) for the year		<u>XXXXXX</u>	<u>XXXXXX</u>
Other comprehensive income			
Changes on revaluation surplus		XXXXXX	XXXXXX
Actuarial gain/(loss) from defined benefit plan		XXXXXX	XXXXXX
Gain/(loss) on foreign currency translation		XXXXXX	XXXXXX
Gain/(loss) on revaluation of financial assets classified as available for sale		XXXXXX	XXXXXX
Effective portion on gain/(loss) from hedge instrument designated as cash flow hedge		XXXXXX	XXXXXX
Share of other comprehensive income from associates and/or joint venture		XXXXXX	XXXXXX
Related income tax		<u>(XXXXXX)</u>	<u>(XXXXXX)</u>
Other comprehensive income for the period, net of tax		<u>XXXXXX</u>	<u>XXXXXX</u>
Total comprehensive income for the period		<u>XXXXXX</u>	<u>XXXXXX</u>

The accompanying notes form an integral part of these consolidated financial statements

PT EMITEN OR PUBLIC ENTITIES TBK AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
31 DECEMBER 20x2 AND 20x1
(Expressed in thousand Rupiah, unless otherwise stated)

	<u>Notes</u>	<u>20x2</u>	<u>20x1</u>
Profit for the period attributable to:			
- Owners of the Parent		XXXXXX	XXXXXX
- Non-controlling interest		<u>XXXXXX</u>	<u>XXXXXX</u>
		<u>XXXXXX</u>	<u>XXXXXX</u>
Total comprehensive income for the period attributable to:			
- Owners of the parent		XXXXXX	XXXXXX
- Non-controlling interest		<u>XXXXXX</u>	<u>XXXXXX</u>
		<u>XXXXXX</u>	<u>XXXXXX</u>
Earnings per share			
- Basic		XXXXXX	XXXXXX
- Diluted		XXXXXX	XXXXXX
Earnings per share from continuing operations			
- Basic		XXXXXX	XXXXXX
- Diluted		XXXXXX	XXXXXX

The accompanying notes form an integral part of these consolidated financial statements

PT EMITEN OR PUBLIC ENTITIES TBK AND SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 20x2 AND 20x1

(Expressed in thousands of Rupiah, unless otherwise stated)

Note	Equity attributable to owners of the parent													
	Share capital	Additional paid in capital - net	Difference on transaction with non-controlling interest	Treasury shares	Retained earnings*)		Other comprehensive income**)							Non-controlling interest
					Appropriated	Unappropriated	Revaluation surplus of assets	Foreign currency translation	Available for sale	Cash flow hedges	Total	Total	Total	Total
Balance as at 1 January 20x1	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Changes in accounting policy	-	-	-	-	-	-	XXXXXX	-	-	-	-	XXXXXX	XXXXXX	XXXXXX
Restated balance	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Changes in equity on 20x1														
Dividend	-	-	-	-	-	(XXXXXX)	-	-	-	-	-	(XXXXXX)	-	(XXXXXX)
Total other comprehensive income during the year	-	-	-	-	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	(XXXXXX)	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Balance as at 31 December 20x1	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Changes in equity on 20x1														
Share capital issuance	XXXXXX	XXXXXX	-	-	-	-	-	-	-	-	-	XXXXXX	-	XXXXXX
Dividend	-	-	-	-	-	(XXXXXX)	-	-	-	-	-	(XXXXXX)	-	(XXXXXX)
Total other comprehensive income during the year	-	-	-	-	XXXXXX	XXXXXX	XXXXXX	XXXXXX	(XXXXXX)	(XXXXXX)	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Transfer to retained earnings	-	-	-	-	-	XXXXXX	(XXXXXX)	-	-	-	-	-	-	-
Balance as at 31 December 20x2	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX

*) Retained earnings include actuarial gains or loss

**) including share of other comprehensive income of associates and/or joint ventures

The accompanying notes form an integral part of these consolidated financial statements

PT EMITEN OR PUBLIC ENTITIES TBK AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 20x2 AND 20x1
(Expressed in thousands of Rupiah, unless otherwise stated)

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:			
Cash receipt from customer		XXXXXX	XXXXXX
Payment to suppliers		XXXXXX	XXXXXX
Payment for operating expenses		XXXXXX	XXXXXX
Payment to employee		XXXXXX	XXXXXX
Interest received		XXXXXX	XXXXXX
Income taxes paid		XXXXXX	XXXXXX
Cash receipt from government grant relating to income		XXXXXX	XXXXXX
Other cash receipt (payment)		<u>XXXXXX</u>	<u>XXXXXX</u>
Net cash flows from (to) operating activities		<u>XXXXXX</u>	<u>XXXXXX</u>
Cash flows from investing activities:			
Fixed assets			
Sales		XXXXXX	XXXXXX
Acquisition		(XXXXXX)	(XXXXXX)
Investment property			
Sales		XXXXXX	XXXXXX
Acquisition		(XXXXXX)	(XXXXXX)
Acquisition of subsidiaries, reduced by any cash acquired		(XXXXXX)	(XXXXXX)
Additional investment on associates		(XXXXXX)	(XXXXXX)
Cash receipt from government grant relating to assets		<u>XXXXXX</u>	<u>XXXXXX</u>
Net cash used in investing activities		<u>XXXXXX</u>	<u>XXXXXX</u>
Net cash flows from (to) investing activities		<u>XXXXXX</u>	<u>XXXXXX</u>
Cash flows from financing activities:			
Proceeds from shares issuance		XXXXXX	XXXXXX
Proceeds from exercised options		XXXXXX	XXXXXX
Transaction costs on shares issuance		(XXXXXX)	(XXXXXX)
Payment of finance lease liabilities		(XXXXXX)	(XXXXXX)
Long-term borrowing			
Receipt		XXXXXX	XXXXXX
Payment		(XXXXXX)	(XXXXXX)
Payment of dividend to			
Owners of the Parent		XXXXXX	XXXXXX
Non-controlling interest		<u>(XXXXXX)</u>	<u>(XXXXXX)</u>
Net cash used in financing activities		<u>XXXXXX</u>	<u>XXXXXX</u>
Net cash flows from (to) financing activities		<u>XXXXXX</u>	<u>XXXXXX</u>

The accompanying notes form an integral part of these consolidated financial statements

PT EMITEN OR PUBLIC ENTITIES TBK AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 20x2 AND 20x1
(Expressed in thousands of Rupiah, unless otherwise stated)

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
Net increase/(decrease) in cash and cash equivalents		XXXXXX	XXXXXX
Cash on hand and in banks at beginning of year		<u>XXXXXX</u>	<u>XXXXXX</u>
Cash on hand and in banks at the end of the year		<u>XXXXXX</u>	<u>XXXXXX</u>

The accompanying notes form an integral part of these consolidated financial statements

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