

**STATEMENT OF
FINANCIAL ACCOUNTING STANDARD**

SFAS No.

3

INDONESIAN INSTITUTE OF ACCOUNTANTS

INTERIM FINANCIAL STATEMENTS

Statement of Financial Accounting Standards (SFAS) No. 3, Interim Financial Statements, was adopted by a meeting of the Indonesian Accounting Principles Committee on August 24, 1994 and was ratified by the Executive Committee of the Indonesian Institute of Accountants on September 7, 1994.

Compliance with the policies contained in this Statement is not obligatory in the case of immaterial items.

Jakarta, September 7, 1994

Executive Committee
Association of Indonesian Accountants

Indonesian Accounting Principles Committee

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INTRODUCTION

Objective

One characteristic of qualitative financial information is timeliness. Information must be reported as early as possible in order to be used as a base for economic decision making and to avoid delays in decision making.

As the number of companies which sell securities in the stock market increases, interim financial statements become more necessary than before. The users of the financial statements need a company's financial statements as soon as possible in order to have a description of the company's activities.

Scope

01 This Statement should be applied to companies which have an obligation to present interim financial statements according to current regulations, such as stock market regulations. Industries which have specific financial accounting standards, such as banking, must follow the relevant standard.

Definitions

02 The terms used in this Statement are defined as follows:

Interim financial statements are financial statements which are issued between two annual financial statements.

Interim financial statements:

- (a) must be viewed as an integral part of the annual period;
- (b) may be issued monthly, quarterly or in any other period which is less than one year and must include all components of a financial statement in conformity with current financial accounting standards.

EXPLANATION

Opinions Related to Interim Financial Statements

03 Two opinions on interim financial statements are as follows:

- (a) the interim period is considered as a principal accounting period and concludes that operating results of each period are to be determined in the same way as the annual results; and
- (b) the interim period is considered an integral part of the annual period.

04 This Statement is developed based on the second opinion that interim financial statements are an integral part of the annual period.

Reporting and Disclosure

05 The following elements between interim financial reporting and annual financial reporting should be the same:

- (a) revenue recognition basis;
- (b) the accounting policies for the basis of reporting at the interim period, unless there has been a change in an accounting standard; and
- (c) the presentation of assets as current and non-current and liabilities as short term and long term.

Costs and Expenses

06 The reporting of costs and expenses can be classified into two groups:

- (a) expenses which relate to revenue are determined on the same basis as that for annual financial reports except for inventory for which the following modifications apply:
 - companies using the gross profit method to determine inventory costs, or other methods different from those used for annual inventory valuation should disclose that fact in interim financial statements;
 - companies using a standard cost accounting system need not report the variances or differences to actual costs if the differences are not material or expected to be made up by the end of a year. The effect of unplanned and unexpected variances should be reported at the end of the interim period using the same procedure used at the end of the year;
 - losses from market price decline should not be deferred to a later period. Price recoveries should be recognized as gains in subsequent interim periods; the gain recognized should not exceed the losses charged in prior interim periods.
- (b) other costs and expenses for interim period reporting, including production costs should be charged based on the same basis as that for the annual period.

Seasonal Revenues and Expenses

07 Interim financial statements present revenue and expenses for the interim period. Interim financial statements, when compared to prior periods, give more benefit to the user for the following reasons:

- (a) interim financial statements can be compared to prior interim financial statements to determine financial position and performance trends;
- (b) interim financial statements can be compared to the same interim periods in previous accounting years to determine cyclical trends in business activities;
- (c) interim financial statements can be compared in cumulative financial reports from the beginning of a fiscal year to the date of the interim financial statement to determine the contribution or effect of the interim period; and
- (d) interim financial statements can be compared to prior year financial statements to determine the effect and performance of the interim period to the financial position, performance and cash flows of prior year accounting periods.

Provision for Corporate Income Tax

08 At the end of an interim period a company should prepare an estimation of income tax expenses and charge this to the interim period. Income tax calculations for the interim period should conform with accounting policies applied in the year end income tax calculations.

Disposal of Business Segment, Extraordinary Items, Unusual and Infrequent Transactions, and Contingent Liabilities

09 The disposal of business segments, business combinations, extraordinary items and unusual and infrequent transactions must be charged in the interim period in which they occur and should not be charged to other periods.

10 Extraordinary items should be disclosed separately and included in the interim profit and loss statement for the period in which they occur. In determining materiality, extraordinary items should be directly related to annual estimated income.

11 Unusual and infrequent transactions that have a material effect on operating results, but cannot be grouped as extraordinary items, must be reported and disclosed separately in the interim profit and loss statement.

12 Contingent liabilities and other uncertainties that may affect the proper presentation of financial information at the balance sheet date should be disclosed in the interim financial statements in the same manner as required for annual financial

statements. Disclosures must be repeated in subsequent interim financial statements and annual financial statements until contingent liabilities are resolved.

Accounting Changes

13 Accounting changes in interim periods which require adjustment must be reported in the interim period in which the changes occur and in the same manner reported in annual financial statements as set out in SFAS No. 25, Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies.

14 Companies have an obligation to disclose in the notes to financial statements if there will be accounting changes in subsequent interim financial statements.

15 Interim financial statements must indicate accounting changes:

- (a) which occurred at the reported interim period; and
- (b) which occurred within the prior interim period in the same fiscal year if they had a material effect on the interim period being reported.

16 If possible, companies should make accounting changes in the first interim period of a fiscal year. Accounting changes made after the first interim period in the fiscal year tend to result in vague operating results and can complicate the disclosure of financial information.

17 In determining the materiality of reporting the cumulative effect of accounting changes or error corrections, the existing balance should be compared to the estimated income for the full year and the effect to profit at the subsequent interim period in the same fiscal year. Material changes if related to one interim period but not material, if related to estimated income for a full year or with an impact to the trend in profit must be disclosed in the interim period.

STATEMENT OF FINANCIAL ACCOUNTING STANDARD NUMBER 3**INTERIM FINANCIAL STATEMENTS**

Statement of Financial Accounting Standard No. 3 consists of paragraphs 18-24. This Statement should be read in the context of paragraphs 1-17.

Presentation of Interim Financial Statements

18 This Statement should be applied to companies which have an obligation to present interim financial statements according to current regulations, such as stock market regulations. Industries which have specific financial accounting standards, such as banking, must follow relevant standards.

19 Interim financial statements consist of a balance sheet, a statement of interim profit and loss and retained earnings, a cash flow statement and notes to financial statements. Interim financial statements must be presented comparatively to the same period of the prior year. Interim profit and loss statements must cover the period from the beginning of a fiscal year until the last reported interim period (the current year to date).

20 Interim financial statements must classify assets as either current or non-current and liabilities as either short term or long term consistent with the annual financial statements. If an asset or a liability may or must be realized in a twelve month period from the interim balance sheet date, that asset is classified as current or the liability is classified as short term. If not, the asset is classified as non-current or the liability is classified as long term.

Certain companies, like banks and insurance companies, which have a specific method of asset classification, must ensure that an asset's classification is in accordance with current financial accounting standards.

Disclosure for Interim Financial Data Summary

21 When a company reports financial information summary as of the date of interim financial statements, the following minimum data should be reported:

- gross revenue or sales, expenses, estimated income taxes, extraordinary items (included effect of related taxation), cumulative effect of accounting changes, accounting changes and net profit;
- presentation of net earnings per share for every interim period;
- seasonal revenue and expense;
- significant changes in estimated income taxes;

- disposal of a business segment, extraordinary items, unusual and infrequent transactions;
- contingent liabilities;
- accounting changes; and
- material changes in elements of cash flow statements.

22 Changes in accounting policy must be applied retrospectively by the reporting balance of every adjustment that occurred and related to a prior period as an adjustment to the beginning balance of retained earnings, except for when the balance can not be properly determined. Comparative information must be restated, except if it is assumed impractical to do so.

The effect of the accounting change to the financial results of the subsequent interim period should be disclosed.

23 Final interim financial statements, such as fourth-quarter statements, do not need to be compiled because these statements can be substituted with annual financial statements. In the case of a fourth-quarter interim financial statements being published, publication occurs simultaneously with that of the annual financial statements. The contents of the fourth-quarter interim financial statements must be the difference between the annual financial statements and the most recent prior interim financial statement of the current year.

Effective Date

24 This Statement becomes effective for financial statements covering periods beginning on or after January 1, 1995. Earlier application is encouraged.