

**STATEMENT OF
FINANCIAL ACCOUNTING STANDARD**

SFAS No.

2

INDONESIAN INSTITUTE OF ACCOUNTANTS

CASH FLOW STATEMENTS

Statement of Financial Accounting Standard (SFAS) No.2, Cash Flow 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 Association of Indonesian 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

Information about the cash flows of an enterprise is useful in providing users of financial statements with a basis to assess the ability of the enterprise to generate cash and cash equivalents and the needs of the enterprise to utilize these cash flows. Users require an evaluation of the ability of an enterprise to generate cash and cash equivalents and the timing and certainty of their generation to enable them to make economic decisions.

The objective of this Standard is to require the disclosure of information about historical changes in an enterprise's cash and cash equivalents by means of a cash flow statement which classifies cash flow by operating, investing and financing activities.

Scope

01 An enterprise should prepare a cash flow statement in accordance with the requirements of this Standard and should present it as an integral part of its financial statements for each period for which financial statements are presented.

02 Users of an enterprise's financial statements are interested in how the enterprise generates and uses cash and cash equivalents. This is generally the case regardless of the nature of the enterprise's activities and irrespective of whether cash can be viewed as the product of the enterprise, as may be the case with a financial institution. Enterprises need cash for essentially the same reasons however different their principal revenue-producing activities might be. They need cash to conduct their operations, to pay their obligations and to provide returns to their inventors. Accordingly, this Standard requires all enterprises to present a cash flow statement.

Benefits of Cash Flow Information

03 A cash flow statement, when used in conjunction with the rest of the financial statements, provides information that enables users to evaluate changes in the net assets of an enterprise, its financial structure (including its liquidity and solvency) and its ability to affect the amounts and timing of cash flows in order to adapt to changing circumstances and opportunities. Cash flow information is useful for assessing the ability of the enterprise to generate cash and cash equivalents and enables users to develop models to assess and compare the present value of future cash flows of different enterprises. The information also enhances the comparability of reports about the operating performance of different enterprises because it eliminates the effect of using different accounting treatments for the same transactions and events.

04 Historical cash flow information is often used as an indicator of the amount, timing and certainty of future cash flows. Cash flow information is also useful in checking the accuracy of past assessments of future cash flows and to determine the relationship between profitability and net cash flow and the impact of changing prices.

Definitions

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

Cash comprises of cash on hand and demand deposits

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash without being subject to a significant risk of changes in value.

Cash flows are inflows and outflows of cash and cash equivalents.

Operating activities are the principal revenue-producing activities of the enterprise and other activities that are not investing or financing activities.

Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Financing activities are activities that result in change to the size and composition of the equity capital and borrowings of the enterprise.

Cash and Cash Equivalents

06 Cash equivalents are held to meet short-term cash commitments rather than investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash without being subject to a significant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity within three months or less from the date of acquisition. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents. For example, in the case of preferred shares acquired within a short period of their maturity and with a specified redemption date.

07 Bank borrowings are generally considered to be financing activities. However, in some countries, bank overdrafts which are repayable on demand form an integral part of an enterprise's cash management. In these circumstances, bank overdrafts are included as a component of cash and cash equivalents. A characteristic of such banking arrangements is that the bank balance often fluctuates from being positive to overdrawn.

08 Cash flows exclude movements between items that constitute cash or cash equivalents because these components are part of the cash management of an enterprise rather than part of its operating, investing and financing activities.

EXPLANATION

Presentation of a Cash Flow Statement

09 The cash flow statement reports cash flows during a certain period and are classified by operating, investing and financing activities.

10 The enterprise presents its cash flows from operating, investing and financing activities in a manner which is most appropriate to its business. Classification by activity provides information that allows users to assess the impact of these activities on the financial position of the enterprise and the amount of its cash and cash equivalents. This information may also be used to evaluate the relationships among these activities.

11 A transaction may include cash flows that are classified differently. For example, when the cash repayment of a loan includes both interest and capital, the interest element may be classified as an operating activity and the capital element as a financing activity.

Operating Activities

12 The amount of cash flows arising from operating activities is a key indicator of the extent to which the operations of the enterprise have generated sufficient cash flows to repay loans, maintain the operating capability of the enterprise, pay dividends and make new investments without depending on external sources of financing. Information about the specific components of historical cash flows is useful, in conjunction with other information, to forecast future operating cash flows.

13 Cash flows from operating activities are primarily derived from the principal revenue-producing activities of the enterprise. Therefore, they generally result from transactions and other events that enter into the determination of net profit and loss. Examples of cash flows from operating activities are:

- cash receipts from the sale of goods and the rendering of services;
- cash receipts from royalties, fees, commissions and other revenue;
- cash payments to suppliers for goods and services;
- cash payments to and on behalf of employees;
- cash receipts and cash payments of an insurance enterprise for premiums and claims, annuities and other policy benefits;
- cash payments or refunds of income taxes, unless they can be specifically identified with financing and investing activities; and
- cash receipts and payments from contracts held for business or trading purposes.

Some transactions, such as the sale of plant equipment, may give rise to a gain or loss which is included in the determination of net profit or loss. However, the cash flows relating to such transactions represents cash flows from investing activities.

14 An security company may hold securities for dealing or trading purposes, in which case they are similar to an inventory acquired specifically for resale. Therefore, cash flows arising from the purchase and sale of trading securities are classified as operating activities. Similarly, loans extended by financial institutions are usually classified as operating activities since they relate to the main revenue-producing activity of that financial institution.

Investing Activities

15 The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the cash receipts related to resources intended to generate future income and cash flows. Examples of cash flows arising from investing activities are:

- cash payments to acquire fixed assets, intangible assets and other long-term assets, including capitalized development costs and self-constructed fixed assets;
- cash receipts from the sale of property, plant and equipment, intangibles and other long-term assets;
- cash payments to acquire equity or financial instruments of other enterprises;
- cash advances and loans made to other parties and their repayments (other than advances and loans made by a financial institution); and
- cash payments for futures contracts, forward contracts, option contracts and swap contracts, except when the contracts are held for dealing or trading purposes, or if the payments are classified as financing activities.

When a contract is accounted for as a hedge of an identifiable position, the cash flows of the contract are classified in the same manner as the cash flows of the position being hedged.

Financing Activities

16 The separate disclosure of cash flows arising from financing activities is important because it is useful to predict claims on future cash flows by the provider of the enterprise's capital. Examples of cash flows arising from financing activities are:

- cash proceeds from issuing shares or other equity instruments;
- cash payments to shareholders to acquire or redeem the enterprise's shares;
- cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short or long-term borrowings;
- cash repayments of loans and
- cash payments by a lessee for the reduction of the outstanding liability relating to a finance lease.

Reporting Cash flows from Operating Activities

- 17** An enterprise should report cash flows from operating activities using either:
- (a) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or
 - (b) the indirect method, whereby net profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.
- 18** Enterprises are encouraged to report cash flows from operating activities using the direct method. The direct method provides information which is useful in estimating future cash flows which is not available under the indirect method. Under the direct method, information about major classes of gross cash receipts and gross cash payments may be obtained either:
- (a) from the accounting records of the enterprise; or
 - (b) by adjusting sales, cost of sales and other items in the income statement for:
 - changes in inventories as well as trade receivables and payables during the period;
 - other non-cash items; and
 - other items related to the cash flow of investment and financing cash flows.
- 19** Under the indirect method, the net cash flow from operating activities is determined by adjusting net profit or loss from the effects of:
- (a) changes in inventories as well as trade receivables and payables during the period;
 - (b) non-cash items such as depreciation, provisions, deferred taxes, unrealized foreign currency gains and losses, undistributed profits of associates, and minority interests in consolidated profit/loss; and
 - (c) other items related to the cash flow of investment and financing.

Alternatively, the net cash flow from operating activities may be presented under the indirect method by showing the revenues and expenses disclosed in the income statement and the changes in inventories as well as trade receivables and payables during the period.

Reporting Cash Flows from Investing and Financing Activities

20 An enterprise should report separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities, except when the cash flows described in paragraphs 21 and 23 are reported on a net basis.

Reporting Cash Flows on a Net Basis

21 Cash flows arising from the following operating, investing or financing activities may be reported on a net cash flow basis:

- (a) cash receipts and payments on behalf of customers when the cash flows reflect the activities of the customer rather than those of the enterprise; and
- (b) cash receipts and payments for accounts with quick turnover, large transaction volume and short maturities.

22 Examples of cash receipts and payments referred to in paragraph 21(a) are:

- the receipt and payment of demand deposits account;
- funds held for customers by an investment enterprise; and
- rent collected by the operation on behalf of, and paid over to, the owners of properties.

Examples of cash receipts and payments referred to in paragraph 21(b) are receipts and disbursements for:

- transactions related to customers' credit cards;
- the purchase and sale of investments; and
- other short-term borrowings which have a maturity period of three months or less.

23 Cash flows arising from each of the following activities of a financial institution may be reported on a net cash flow basis:

- cash receipts and payments for the acceptance and repayment of deposits with a fixed maturity date;
- the placement of deposits with a withdrawal of deposits from other financial institutions; and
- loans made to customers and their repayment.

Cash Flows in Foreign Currencies

24 Cash flows arising from transactions in a foreign currency should be recorded in an enterprise's reporting currency by translating the foreign currency amount according to the transaction rate at the date of the cash flow.

25 The cash flows of a foreign subsidiary should be translated at the exchange rates at the dates of the cash flows.

26 Cash flows denominated in a foreign currency are reported according to SFAS 10, Transaction in Foreign Currencies. This Statement permits the use of an exchange rate that approximates the actual rate. For example, a weighted average exchange rate for a period may be used for recording foreign currency transactions or the translation of the cash flows of a foreign subsidiary. However, it does not permit use of the exchange rate at the balance sheet date when translating the cash flows of a foreign subsidiary.

27 Unrealized gains and losses arising from changes in foreign currency exchange rates are not cash flows. However, the effect of exchange rate changes on cash and cash equivalents is reported in the cash flow statement in order to reconcile cash and cash equivalents at the beginning and the end of the period. This rate difference amount is presented separately from cash flows from operating, investing and financing activities.

Extraordinary Items

28 The cash flows associated with extraordinary items should be classified as arising from operating, investing or financing activities as appropriate, and be disclosed separately.

29 The cash flows associated with extraordinary items are disclosed separately in cash flow from operating, investing or financing activities in the cash flow statement, to enable users to understand their nature and effect on the present and future cash flows of the enterprise. These disclosures are in addition to the separate disclosures of the nature and amount of extraordinary items required by SFAS No.25, Extraordinary Items, Fundamental Errors and Changes in Accounting Policies.

Interest and Dividends

30 Cash flows from interest and dividends received and paid should each be disclosed separately. Each should be classified in a consistent manner from period to period as either operating, investing or financing activities.

31 The total amount of interest paid during a period is disclosed in the cash flow statement whether it has been recognized as an expense in the income statement or

capitalized in accordance with the allowed alternative treatment in SFAS 18 on Accounting for Interest during the Construction Period.

32 Interest paid and interest and dividends received by the financial institution are usually classified as operating cash flows for an financial institution. However, there is no consensus on the classification of these cash flows for other enterprises. Interest paid and interest and dividends received may be classified as operating cash flows because they enter into the determination of net profit or loss. Alternatively, interest paid and interest and dividends received may be classified as financing cash flows and investing cash flows respectively, because they are the costs of obtaining financial resources or the returns on investments.

33 Dividends paid may be classified as a financing cash flow because they are a cost of obtaining financial resources. Alternatively, dividends paid may be classified as a component of cash flows from operating activities in order to assist users of cash flow statements to determine the ability of an enterprise to pay dividends out of operating cash flows.

Income Taxes

34 Cash flows related to income tax should be disclosed separately and should be classified as cash flows from operating activities, unless they can be specifically identified as financing and investing activities.

35 Income taxes arise on transactions that give-rise to cash flows that are classified as operating, investing or financing activities in a cash flow statement. While tax expense may be readily identifiable with investing or financing activities, the related tax cash flows are often impracticable to identify and may arise in a different period from the cash flows of the underlying transaction. Therefore, taxes paid are usually classified as cash flows from operating activities. However, when it is practicable to identify the tax cash flow with an individual transaction that gives rise to the cash flows, the tax cash flow is classified as an investing or financing activity, according to the related activity type. When tax cash flows are allocated over more than one class of activity, the total amount of taxes paid should be disclosed.

Investments in Subsidiaries, Associated Companies and Joint Ventures

36 When accounting for an investment in an associate or a subsidiary enterprise, a by use of the equity or cost method, an investor restricts its reporting in the cash flow statement to the cash flows between itself and the investee. For example, to dividends and advances.

Acquisition and Disposal of Subsidiaries and Other Business Units

37 The aggregate cash flows arising from acquisitions and from disposals of subsidiaries or other business units should be presented separately and classified as investing activities.

38 An enterprise should disclose, in aggregate and in respect of both acquisition and disposals of subsidiaries or other business units during the period, each of the following:

- (a) The total purchase or disposal price;
- (b) The portion of the purchase or disposal consideration (price) discharged by means of cash and cash equivalents; and
- (c) The amount of cash and cash equivalents in the subsidiary or business unit acquired or disposed of; and
- (d) The assets and liabilities, other than cash or cash equivalents, of its subsidiaries or other business unit, which is acquired or disposed, summarized by each major category.

39 The separate presentation of the cash flow effects of acquisitions and disposals of subsidiaries and other business units as single line items, together with the separate disclosure of the amounts of acquired assets and liabilities will assist to distinguish cash flows from other operating, investing and financing activities. The cash flow effects of disposals should not be deducted from these cash flow term acquisitions.

40 The aggregate amount of the cash paid or received on that disposal should be reported in the cash flow statement after taking into account the net amount of cash and cash equivalents that have been acquired or disposed.

Non-cash Transactions

41 Investing and financing transactions that do not require the use of cash or cash equivalents should be excluded from a cash flow statement. Such transactions should be disclosed in the notes to financial statements in a way such that it provides all the relevant information about these investing and financing activities.

42 Many investing and financing activities do not have a direct impact on current cash flows although they do affect the capital and asset structure of an enterprise. The exclusion of non-cash transactions from the cash flow statement is consistent with the objective of a cash flow statement as these items do not effect cash flows in the current period. Examples of non-cash transactions are:

- the acquisition of assets either by credit or by means of a finance lease;

- the acquisition of an enterprise by means of share issuance; and
- the conversion of debt to equity.

Components of Cash and Cash Equivalents

43 An enterprise should disclose the components of cash and cash equivalents and should present a reconciliation of the amounts in its cash flow statement with the equivalent items reported in the balance sheet.

44 In view of the variety of cash management practices and banking arrangements, and in order to comply with accounting standards, an enterprise should disclose the policy which it adopts in determining the composition of cash and cash equivalents.

45 The effect of any change in the policy for determining components of cash and cash equivalents, for example, a change in the classification of financial instruments previously considered to be part of an enterprise's investment portfolio, is reported in accordance with SFAS 25 on Net Profit/Loss for Current Period, Fundamental Errors and Changes in Accounting Policies.

Other Disclosures

46 An enterprise should disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the enterprise that are not available for free use by the enterprise or group of enterprises.

47 There are various circumstances in which cash and cash equivalent balances held by an enterprise are not available for free use by the group. Examples include cash and cash equivalent balances held by a subsidiary that operates in a country where exchange controls or other legal restrictions apply so that the balances could not be transferred to the parent by the subsidiary.

STATEMENT OF FINANCIAL ACCOUNTING STANDARD NUMBER 2**CASH FLOW STATEMENTS**

Statement of Financial Accounting Standard No. 2 consists of paragraphs 48-67. This Statement should be read in the context of paragraphs 1-47

48 An enterprise should prepare a cash flows statement in accordance with the requirements of this Standard and should present it as an integral part of its financial statements for each period for which financial statements are presented.

Presentation of a Cash Flow Statement

49 The cash flow statement should report cash flows during a certain period classified by operating, investing and financing activities.

Reporting Cash Flows from Operating Activities

50 An enterprise should report cash flows from operating activities using either of the following methods:

- the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or
- the indirect method whereby net profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

Reporting Cash Flows from Investing and Financing Activities

51 An enterprise should report separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities, except to the extent that cash flows described in paragraphs 21 and 23 are reported on a net cash flow basis.

Reporting Cash Flows on a Net Cash Flow Basis

52 Cash flows arising from the following operating, investing or financing activities may be reported on a net cash flow basis:

- (a) Cash receipts and payments on behalf of customers when the cash flows reflect the activities of the customer rather than those of the enterprise; and

- (b) Cash receipts and payments for accounts with a quick turnover, large transaction volume and short maturities.

53 Cash flows arising from each of the following activities of a financial institution may be reported on a net cash flow basis:

- (a) Cash receipts and payments for the acceptance and repayment of deposits with a fixed maturity date;
- (b) The placement of deposits with and withdrawal of deposits from other financial institutions; and
- (c) Loans made to customers and the repayment of those loans.

Cash Flows in Foreign Currencies

54 Cash flows arising from transactions in a foreign currency should be recorded in an enterprise's reporting currency by converting the foreign currency amount according to the transaction rate at the date of the cash flow.

55 The cash flows of a foreign subsidiary should be translated at the exchange rates at the dates of the cash flows.

Extraordinary Items

56 The cash flows associated with extraordinary items should be classified as arising from operating, investing or financing activities as appropriate and disclosed separately.

Interest and Dividends

57 Cash flow from interest and dividends received and paid should each be disclosed separately. Each should be classified in a consistent manner from period to period as either operating, investing or financing activities.

Income Taxes

58 Cash flows arising from income taxes should be separately disclosed and should be classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities.

Acquisition and Disposal of Subsidiaries and Other Business Units

59 The aggregate cash flows arising from acquisitions and from disposals of subsidiaries or other business units should be presented separately and classified as investing activities.

60 An enterprise should disclose, in aggregate and in respect of both acquisitions and disposals of subsidiaries or other business units during the period, each of the following:

- (a) The total purchase or disposal consideration;
- (b) The portion of the purchase or disposal consideration discharged by means of cash and cash equivalents;
- (c) The amount of cash and cash equivalents in the subsidiary or business unit acquired or disposed of; and
- (d) The amount of the assets and liabilities other than cash or cash equivalents in the subsidiary or business unit acquired or disposed of, summarized by each major category.

Non-Cash Transactions

61 Investing and financing transactions that do not require the use of cash or cash equivalents should be excluded from a cash flow statement. Such transactions should be disclosed elsewhere in the financial statement in a way that provides all the relevant information about these investing and financing activities.

Components of Cash and Cash Equivalents

62 An enterprise should disclose the components of cash and cash equivalents and should present a reconciliation of the amounts in its cash flow statement with the same accounts as reported in the balance sheet.

Other Disclosures

63 An enterprise should disclose, together with a commentary by management, the amount of significant cash and cash equivalents held by the enterprise that are not available for free use by the enterprise or group of enterprises.

Transition

64 This Statement is to be applied prospectively. In the beginning, if comparative financial statements are presented, the cash flow statement does not have to be presented comparatively.

Effective Date

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

APPENDIX 1**CASH FLOW STATEMENT FOR AN ENTERPRISE OTHER THAN A FINANCIAL INSTITUTION**

The appendix is illustrative only and does not form a part of the Standard. The purpose of the appendix is to illustrate the application of SFAS No. 2, Cash Flow Statements.

01 The examples show only current period amounts.

02 Information from the income statement and balance sheet is provided to show how the statement of cash flows under the direct method and indirect method have been derived. To simplify, neither the attached example of an income statement nor the balance sheet are presented in conformity with the disclosure and presentation requirements of this Statement of Financial Accounting Standard.

03 The following additional information is also relevant for the preparation of the statements of cash flows:

(a) all of the shares of a subsidiary were acquired for Rp 590. The fair values of assets acquired and liabilities assumed were as follows:

inventories	Rp 100
accounts receivable	Rp 100
cash	Rp 40
property, plant and equipment	Rp 650
trade payables	Rp 100
long-term debt	Rp 200

(b) Rp 250 was raised from the issue of share capital and an additional Rp 250 was raised from long-term borrowings;

(c) interest expense was Rp 400 of which Rp 170 was paid during the period, Rp 100 relating to interest expense of the prior period was also paid during the period;

(d) dividends paid were Rp 1,200;

(e) the liability for tax at the beginning and end of the period was Rp 400 and Rp 1000 respectively. During the period, a further 200 of tax was provided for. Withholding tax on dividends received amounted to Rp 100;

(f) during the period, the enterprise acquired property, plant and equipment with an aggregate cost of Rp 1,250 of which Rp 900 was acquired by means of finance leases. Cash payments of Rp 350 were made to purchase property, plant and equipment;

- (g) plant with book value of Rp 80 and accumulated depreciation of Rp 60 was sold for Rp 20; and
- (h) accounts receivable as at the end of 19-2 include Rp 100 of interest receivable.

PT ABC
Consolidated Balance Sheet
31 December 19-2 and 19-1

Assets	<u>19-2</u>	<u>19-1</u>
Cash and cash equivalents	410	160
Trade receivables	1,900	1,200
Inventory	1,000	1,950
Investment portfolios	2,500	2,500
Property, plant and equipment	3,730	1,910
Accumulated depreciation	<u>(1,450)</u>	<u>(1,060)</u>
Property, plant and equipment net	<u>2,280</u>	<u>850</u>
Total assets	<u>8,090</u>	<u>6,660</u>
Liabilities		
Trade payables	250	1,890
Interest payables	230	100
Income taxes payable	400	1,000
Long term debt	<u>2,300</u>	<u>1,040</u>
Total Liabilities	<u>3,180</u>	<u>4,030</u>
Shareholders Equity		
Share capital	1,500	1,250
Retained earnings	<u>3,410</u>	<u>1,380</u>
Total shareholders equity	<u>4,910</u>	<u>2,630</u>
Total Liabilities and shareholders equity	<u>8,090</u>	<u>6,660</u>

PT ABC
Consolidated Income Statement
Year Ended 31 December, 19-2

Sales	30,650
Cost of sales	<u>(26,000)</u>
Gross profit	4,650
Depreciation	(450)
Administrative and selling expenses	(910)
Interest expense	(400)
Investment income	500
Foreign exchange loss	<u>(40)</u>
Net profit before taxation and extraordinary items	3,350
Extraordinary item—Insurance proceeds from earthquake disaster settlement	<u>180</u>
Net profit after extraordinary items	3,530
Income Taxes	<u>(300)</u>
Net profit	<u>3,230</u>

PT ABC
Cash Flow Statement (Direct Method)
Year Ended 31 December 19-2

Cash flows from operating activities

Cash receipts from customers	30,150	
Cash paid to suppliers and employees	<u>(27,600)</u>	
Cash generated from operations	2,250	
Interest paid	(270)	
Income taxes paid	<u>(900)</u>	
Cash flow before extraordinary items	1,380	
Proceeds from earthquake disaster settlement	<u>180</u>	
Net cash from operating activities		1,560

Cash flows from investing activities

Acquisition of subsidiary X, net of cash acquired (note A)	(550)	
Purchase of property, plant and equipment (note B)	(350)	
Proceeds from sale of equipment	20	
Interest received	200	
Dividends received	<u>200</u>	
Net cash used in investing activities		(480)

Cash flows from financing activities

Proceeds from issuance of share capital	250	
Proceeds from long-term borrowings	250	
Payment of finance lease liabilities	(90)	
*Paid dividends	<u>(1,200)</u>	
Net cash used in financing activities		<u>(790)</u>

Net increase in cash and cash equivalents	290
Cash and cash equivalents at beginning of period (note C)	120
Cash and cash equivalents at end of period	410

* This could also be shown as an operating cash flow. See page 33

PT. ABC
Indirect Method Cash Flow Statement
Year Ended 31 December 19-2

Cash flows from operating activities

Net profit before taxation, and extraordinary item	3,350	
Adjustments for:		
Depreciation	450	
Foreign exchange loss	40	
Investment income	(500)	
Interest expense	<u>400</u>	
Operating profit before changes in working capital	3,740	
Increase in trade and other receivables	(500)	
Decrease in inventories	1,050	
Decrease in trade payables	<u>(1,740)</u>	
Cash generated from operations	2,250	
Interest paid	(270)	
Income taxes paid	<u>(900)</u>	
Cash flow before extraordinary items	1,380	
Proceeds from earthquake disaster settlement	<u>180</u>	
Net cash from operating activities		1,560

Cash flows from investing activities

Acquisition of subsidiary X net of cash used in acquisition (note A)	(550)	
Purchase of property, plant and equipment (note B)	(350)	
Proceeds from sale of equipment	20	
Interest received	200	
Dividends received	<u>200</u>	
Net cash used in investing activities		(480)

Cash flows from financing activities

Proceeds from issuance of share capital	250	
Proceeds from long-term borrowings	250	
Payment of finance lease liabilities	(90)	
Dividend paid*	<u>(1,200)</u>	
Net cash used in financing activities		<u>(790)</u>

Net increase in cash and cash equivalents	290
Cash and cash equivalents at beginning of period (Note C)	<u>120</u>
Cash and cash equivalents at end of period (Note C)	<u>410</u>

Notes to the Cash Flow Statement

(Direct method and Indirect method)

A. Acquisition of Subsidiary

During the period the group acquired subsidiary X. The fair value of assets acquired and liabilities assumed were as follows (in rupiah):

Cash	40
Inventories	100
Accounts receivable	100
Property, plant and equipment	650
Trade payables	(100)
Long-term debt	<u>(200)</u>
Total purchase price	590
Less: Cash of X	<u>(40)</u>
Cash flow on acquisition net of cash acquired	<u>550</u>

B. Property, Plant and Equipment

During the period, the Group acquired property, plant and equipment with an aggregate cost of Rp 1,250 of which Rp 900 was acquired by means of finance leases. Cash payments of Rp 350 were made in this acquisition.

C. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and in banks, and investments in money market instruments. Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	19-1	19-2
Cash on hand and balances with banks	40	25
Short-term investments	<u>370</u>	<u>135</u>
Cash and cash equivalents as previously reported	410	160
Effect of exchange rate changes		<u>(40)</u>
Cash and cash equivalents restated	<u>410</u>	<u>120</u>

Cash and cash equivalents at the end of the period include deposits with banks of Rp 100 held by a subsidiary which are not freely remissible to the holding company because of currency exchange restrictions.

The Group has unused borrowing facilities of Rp 2,000 of which Rp 700 may be used only for future expansion.

D. Segment Information

	Segment A	Segment B	Total
Cash flows from:			
Operating activities	1,700	(140)	1,560
Investing activities	(640)	160	(480)
Financing activities	<u>(570)</u>	<u>(220)</u>	<u>(790)</u>
	<u>490</u>	<u>(200)</u>	<u>290</u>

Alternative Presentation

(Indirect Method)

As an alternative, in an indirect method cash flow statement, operating profit before working capital changes is sometimes presented as follows (in rupiah):

Revenue, excluding investment income	30,650
Operating expense, excluding depreciation	<u>(26,910)</u>
Operating profit before working capital changes	<u>3,740</u>

APPENDIX 2**Cash Flow Statement for a Financial Institution**

The appendix is illustrative only and does not form part of the Standard. The purpose of the appendix is to illustrate the application of the Standard to assist in clarifying its meaning.

- 01** The example shows only current period amounts. Corresponding amounts for the preceding period are required to be presented in accordance with related SFAS.
- 02** The example is presented using the direct method.

BANK ABC
Cash flow Statement (Direct Method)
Year Ended 31 December, 19-2

Cash flows from operating activities

Interest and commission receipts	28,447	
Interest payments	(23,463)	
Recoverable on loans previously written off	237	
Cash payments to employees and suppliers	<u>(997)</u>	
Operating profit before changes in operating assets	4,224	

(Increase) decrease in operating assets:

Short-term funds	(650)	
Deposits held for regulatory or monetary control purposes	234	
Funds advanced to customers	(288)	
Net increase in credit card receivables	(360)	
Other short-term negotiable securities	(120)	

Increase (decrease) in operating liabilities:

Deposits from customers	600	
Negotiable certificates of deposit	(200)	
Net cash from operating activities before income tax	3,440	
Income taxes paid	<u>(100)</u>	

Net cash flow from operating activities	3,340
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Cash flows from investing activities

Disposal of subsidiary Y	50	
Dividends received	200	
Interest received	300	
Proceeds from sales of non-dealing securities	1,200	
Purchase of non-dealing securities	(600)	
Purchase of property, plant and equipment	<u>(500)</u>	
Net cash from investing activities		650

Cash flows from financing activities

Issue of loan capital	1,000	
Issue of priority share by subsidiary	800	
Repayment of long-term borrowings	(200)	
Net decrease in other borrowings	(1,000)	
Dividends paid	<u>(400)</u>	
Net cash from financing activities		200

Effects of exchange rate changes on cash and cash equivalents	<u>600</u>
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Net increase in cash and cash equivalents		4,790
Cash and cash equivalents at beginning of period	<u>4,050</u>	
Cash and cash equivalents at end of period		<u>8,840</u>