STATEMENT OF FINANCIAL ACCOUNTING STANDARD

SFAS No.

1

(1998 Revision)

INDONESIAN INSTITUTE OF ACCOUNTANTS

PRESENTATION OF FINANCIAL STATEMENTS

Statement of Financial Accounting Standard (SFAS) No. 1 (1998 Revision), *Presentation of Financial Statements*, was adopted by a meeting of the Indonesian Financial Accounting Standards Committee on July 10, 1998, and was ratified by the Executive Committee of the Indonesian Institute of Accountants on September 4, 1998.

It is not required to apply this Statement for immaterial items

FINANCIAL ACCOUNTING STANDARDS COMMITTEE

CONTENTS

The standards, which have been set in bold italic type, should be read in the context of the explanatory paragraphs and the Framework for the Preparation and Presentation of Financial Statements. This Statement is not intended to apply to immaterial items.

Introduction

The reader's understanding of and the comparability of financial statements among different enterprises can be enhanced by presenting the financial statements under a uniform format and using standard descriptions for particular accounts. However, uniformity may not be easily achieved and may cause the enterprise to omit relevant information, related to each of the enterprise's condition, to the users of financial statements.

The purpose of this Statement is to enhance the quality of financial statements presented in accordance with the Statement of Financial Accounting Standards by:

(a) applying the provisions in the Statement of Financial Accounting Standards, including the disclosure requirements;
(b) providing guidance on the structure of financial statements including minimum requirements for each primary statement, accounting policies and notes to the financial statements;
(c) establishing practical requirements on issues related to Materiality, Going Concern, the Selection of Accounting Policies when no standards exist, Consistency and the Presentation of Comparative Information .

Objective

The objective of this Statement is to prescribe the bases for presentation of general purpose financial statements, which hereafter will be referred to as "Financial Statements", in order to ensure comparability with the enterprise's financial statements of previous periods and with the financial statements of other enterprises. The recognition, measurement and disclosure of specific transactions and events is addressed in the related Statement of Financial Accounting Standards.

Scope

01 This Statement should be applied in the presentation of general purpose financial statements prepared and presented in accordance with the Statement of Financial Accounting Standards.

02 General purpose financial statements are those intended to meet the common needs of a wide range of users. General purpose financial statements include those that are presented separately or within another public document such as an annual report or prospectus. This Statement also applies to consolidated financial statements.

03 This Statement uses terminology that is suitable for an enterprise which is profit oriented. Non-profit organizations and other enterprises seeking to apply this Statement may need to amend the descriptions used for certain line items in the financial statements and for the financial statements themselves. Such organizations and enterprises may also present additional components in their financial statements.

04 This Statement supersedes SFAS No. 1, *Disclosure of Accounting Policies*, and SFAS No. 9, *Presentation of Current Assets and Current Liabilities*.

Purpose of Financial Statements

05 The objective of general purpose financial statements is to provide information about the financial position, performance and cash flows of an enterprise that is useful to a wide range of users in making economic decisions. Financial statements also show the results of management's stewardship of the resources entrusted to it. To meet this objective, financial statements provide information about an enterprise's:

(a) assets;
(b) liabilities;
(c) equity;
(d) income and expenses, including gains and losses; and
(e) cash flows.

This information, along with other information in the notes to the financial statements, assists users in predicting the enterprise's future cash flows and in particular the timing and certainty of the generation of cash and cash equivalents.

Responsibility for Financial Statements

06 Management of an enterprise is responsible for the preparation and presentation of its financial statements.

Components of Financial Statements

07 A complete set of financial statements includes the following components:

(a) balance sheet;
(b) income statement;
(c) statement of changes in equity;
(d) cash flow statement; and
(e) notes to the financial statements

Additional Information

08 Enterprises are encouraged to present a financial review which explains the main characteristics influencing the enterprise's financial performance, financial position and uncertainties it faces.

09 Enterprises can also present additional statements such as environmental reports and value added statements, particularly in industries where environmental factors are significant and where employees are considered to be an important user group.

Fair Presentation

10 Financial statements should present fairly the financial position, financial performance, changes in equity, and cash flows of an enterprise by applying the Statement of Financial Accounting Standards accordingly, along with the required disclosures in the notes to the financial statements. Other additional information which is necessary for fair presentation should also be disclosed even when such disclosures are not required by the Statement of Financial Accounting Standards.

11 In circumstances where recognition, measurement, presentation or disclosure of a certain transaction or event has not been addressed by the Statement of Financial Accounting Standards, fair presentation can be achieved through the selection and application of accounting policies in accordance with paragraph 14 along with the presentation of the outcome so as to provide relevant, reliable, comparable and understandable information.

12 The purpose of this Statement is to ensure that financial statements present fairly the financial position, financial performance and cash flows in order to meet the objective of the financial statements. The Statement of Financial Accounting Standards may not address the disclosure of certain information which is necessary for fair presentation of the financial statements. In such circumstances, an enterprise should provide additional disclosures of relevant information so as to present its financial statements fairly.

13 The rapid innovations in the business world often results in new transactions or events which have not yet been addressed by the Statement of Financial Accounting Standards. In such circumstances, the fair presentation of financial statements can be achieved through the selection and application of accounting policies in accordance with paragraph 14 coupled with the presentation of information using the concept set forth in the Framework for the Preparation and Presentation of Financial Statements.

Accounting Policies

14 Management should select and apply an enterprise's accounting policies so that the financial statements comply with all the requirements of the Statement of Financial Accounting Standards. Where there is no specific requirement, management should develop policies to ensure that the financial statements provide information that is:

(a) relevant to the decision-making needs of users; and
(b) reliable in that they:
(i) represent faithfully the results and financial position of the enterprise;

(ii) ***reflect the economic substance of events and transactions and not merely the legal form;***
(iii) ***are neutral, that is free from bias;***
(iv) ***are prudent; and***
(v) ***are complete in all material respects.***

15 Accounting policies are the specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting financial statements.

16 In the absence of a specific SFAS, management uses its judgement in developing an accounting policy that provides the most useful information to users of the enterprise's financial statements. In making this judgement, management considers:

(a) the requirements and guidance in the SFAS dealing with similar and related issues;
(b) the definitions, recognition and measurement criteria for assets, liabilities, income and expenses set out in the Framework for the Preparation and Presentation of Financial Statements; and
(c) pronouncements of other standard setting bodies and accepted industry practices to the extent that these are consistent with (a) and (b) of this paragraph.

Going Concern

17 Financial statements should be prepared based on a going concern basis. When the financial statements are not prepared based on a going concern basis, that fact should be disclosed, together with the basis on which the financial statements are prepared and the reason why the enterprise is not considered to be a going concern.

18 Management is responsible for making the assessment of whether the going concern assumption can still be used in preparing the financial statements. In assessing whether the going concern assumption is appropriate, management takes into account all available information for the foreseeable future, which should be at least twelve months from the balance sheet date. The degree of consideration depends on the facts in each case. When an enterprise has a history of profitable operations and ready access to financial resources, a conclusion that the going concern basis of accounting is appropriate may be reached without detailed analysis. In other cases, management may need to consider a wide range of factors surrounding current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate.

Accrual Basis of Accounting

19 An enterprise should prepare its financial statements, except for cash flow information, under the accrual basis of accounting.

20 Under the accrual basis of accounting, assets, liabilities, equity, income and expenses are recognized when they occur, not as cash or its equivalent is received or paid, and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate. Expenses are recognized in the income statement on the basis of a direct association between the costs incurred and the earning of specific items of income (matching concept). For instance, various cost components constituting cost of goods sold are recognized at the time when income from the sales of such goods are recorded. However, the application of the matching concept does not allow the recognition of items in the balance sheet which do not meet the definition of assets or liabilities. Expenses are recognized immediately in the income statement when they do not have future economic benefits or as long as the future economic benefits do not qualify to be recognized as assets in the balance sheet.

Consistency of Presentation

21 The presentation and classification of items in the financial statements should be consistent from one period to the next unless:

(a) a significant change in the nature of the operations of the enterprise or a review of its financial statement presentation demonstrates that the change will result in a more appropriate presentation of events or transactions; or
(b) a change in presentation is required by a SFAS.

22 A significant acquisition or disposal, or a review of the financial statement presentation, might suggest that the financial statements should be presented differently. Nevertheless, only if the revised structure is likely to continue, or if the benefit of an alternative presentation is clear, should an enterprise change the presentation of its financial statements. When such changes in presentation are made, an enterprise should reclassify its comparative information in accordance with paragraph 28.

Materiality and Aggregation

23 Each material item should be presented separately in the financial statements. Immaterial amounts should be aggregated with the amounts of a similar nature or function.

24 Financial statements result from processing large quantities of transactions which are classified according to their nature or function. The final stage in the process of aggregation and classification is the presentation in financial statements or in the notes to the financial statements. If a line item is not individually material, it is aggregated with other items of a similar type either on the face of the financial statements or in the notes. An item that is not sufficiently material to warrant separate presentation on the face of the financial statements may nevertheless be sufficiently material that it should be presented separately in the notes. Information is material if its non-disclosure could influence the economic decisions of users of the financial statements. Materiality is determined by evaluating the size and nature of an item. Either the size or the nature of the item could be the determining factor.

Offsetting

25 Assets and liabilities should not be offset except when offsetting is required or permitted by the SFAS.

26 Except when offsetting reflects the substance of the transaction or event, it could influence the ability of users to understand the transactions undertaken and to assess the future cash flows of the enterprise. The reporting of assets net of valuation allowances is not offsetting.

27 In the course of its ordinary activities, an enterprise undertakes other transactions which do not generate revenue but which are incidental to the main revenue generating activities. The results of such transactions are presented by netting any income with related expenses arising on the same transaction as long as the presentation reflects the substance of the transaction or event. For example:

(a) gains and losses on the disposal of non-current assets, including investments and operating assets, are reported by deducting the carrying amount of the asset and related selling expenses from the proceeds on disposal.
(b) expenditure that is reimbursed under a contractual arrangement with a third party is netted against the related reimbursement; and
(c) extraordinary items may be presented net of related taxation and minority interest with the gross amounts shown in the notes to the financial statements.

Comparative Information

28 Numerical information should be disclosed comparatively in respect of the previous period unless stated otherwise in the SFAS. Comparative information in narrative and descriptive forms from previous period(s) are repeated when they are relevant in understanding the current period's financial statements.

29 In some cases, narrative information provided in the financial statements for the previous period(s) continues to be relevant in the current period. For example, details of a legal dispute, the outcome of which was uncertain at the last balance sheet date and is yet to be resolved, are disclosed in the current period. Users benefit from information that the uncertainty existed at the last balance sheet date, and the steps that have been taken during the period to resolve the uncertainty.

30 When the presentation or classification of items in the financial statements is changed, comparative amounts from previous period(s) should be reclassified to ensure comparability with the current period. The nature, amount of, and reason for, any reclassification should be disclosed. When it is impracticable to reclassify comparative amounts, the reason(s) should be disclosed.

31 Circumstances may exist when it is impracticable to reclassify comparative information to achieve comparability with the current period. For example, data may not

have been collected in the previous period(s) in a way which allows reclassification, and it may not be practicable to recreate the information. In such circumstances, the nature of adjustments to comparative information that would have been made are disclosed.

Identification of Financial Statements

32 Financial statements should be clearly identified and distinguished from other information in the same published document.

33 Financial statements are often presented as part of another document such as annual report or prospectus. The SFAS apply only to the financial statements, and not to other information presented in the annual report or another document. Therefore, it is important that users are able to distinguish information that is prepared in accordance with the SFAS from other information, which may be useful to users, but is not subjected to the provisions of the SFAS.

34 Each component of the financial statements should be clearly identified. In addition, the following information should be displayed and repeated, where necessary, on each page of the financial statements:

(a) the name of the reporting enterprise or other means of identification;
(b) financial statement coverage; whether the financial statements cover the individual enterprise or a group of enterprises;
(c) the date or period covered by the financial statements, whichever is appropriate to the related component of the financial statements;
(d) the reporting currency; and
(e) the level of precision used in the presentation of figures in the financial statements.

35 The requirements in paragraph 34 are met by presenting page headings and abbreviated column headings on each page of the financial statements. Judgement is required in determining the best way of presenting such information. In addition, financial statements are often made more understandable by presenting information in thousands, millions, or billions of units of Rupiah. This is acceptable as long as the level of precision in presentation is disclosed and relevant information is not lost.

Reporting Period

36 Financial statements should be presented at least annually. When an enterprise changes its fiscal year and annual financial statements are presented for a period longer or shorter than one year, an enterprise should disclose, in addition to the period covered by the financial statements:

(a) the reason(s) for a period other than one year being used; and
(b) the fact that comparative amounts for the income statement, changes in equity, cash flows and related notes to the financial statements are not comparable.

37 In exceptional circumstances, an enterprise may be required to, or decide to change its balance sheet date, for example following the acquisition of the enterprise by another enterprise with a different balance sheet date. In this case, it is important that users are aware that the amounts shown for the current period and comparative amounts are not comparable and that the reason for the change in balance sheet date is disclosed.

Timeliness

38 The usefulness of financial statements is impaired if they are not made available to users within a reasonable period after the balance sheet date. An enterprise should be in a position to issue its financial statements within four months of the balance sheet date. Ongoing factors such as the complexity of an enterprise's operations are not sufficient reasons for failing to report on a timely basis.

BALANCE SHEET

The Current/Non-current Distinction

39 An enterprise should present its current assets separately from non-current assets and its current liabilities separately from non-current liabilities except for certain industries which are specifically addressed by the SFAS. Current assets are presented in the order of their liquidity while liabilities are presented in the order of their maturities.

40 An enterprise should disclose the information of the amounts of each asset expected to be recovered and the amounts of each liability expected to be settled before and after twelve months from the balance sheet date.

41 When an enterprise supplies goods or services within a clearly identifiable operating cycle, separate classification of current and non-current assets and liabilities on the face of the balance sheet provides useful information by distinguishing the net assets that are continuously circulating as working capital from those used in the enterprise's long-term operations. It also highlights assets that are expected to be realized within the current operating cycle and liabilities that are due for settlement within the same period. Information about the maturity dates of assets and liabilities is useful in assessing the liquidity and solvency of an enterprise.

Current Assets

42 An asset should be classified as a current asset when it:

(a) is expected to be realized in, or is held for sale or consumption in, the normal course of the enterprise's operating cycle; or
(b) is held primarily for trading purposes or for the short-term and expected to be realized within twelve months of the balance sheet date; or
(c) is cash or a cash equivalent asset which is not restricted in its use.

All other assets should be classified as non-current assets.

43 The operating cycle of an enterprise is the time between the acquisition of materials entering into a process and its realization in cash or an instrument that is readily convertible into cash. Current assets include inventories and trade receivables that are sold, consumed and realized as part of the normal operating cycle even when they are not expected to be realized within twelve months of the balance sheet date. Marketable securities are classified as current assets if they are expected to be realized within twelve months of the balance sheet date; otherwise they are classified as non-current assets. For classification purposes, the operating cycle is assumed to be one year except for certain activities or industries where a longer period is clearly more appropriate.

Current Liabilities

44 A liability should be classified as a current liability when it:

(a) is expected to be settled in the normal course of the enterprise's operating cycle; or
(b) is due to be settled within twelve months of the balance sheet date.

All other liabilities should be classified as non-current liabilities.

45 Current liabilities can be categorized in a similar manner as current assets. Some current liabilities, such as trade payables and accruals for employees and other operating costs, form part of the working capital used in the normal operating cycle of the business. Such operating items are classified as current liabilities even if they are due to be settled after more than twelve months from the balance sheet date.

46 Other current liabilities are not settled as part of the current operating cycle, but are due for settlement within twelve months of the balance sheet date. Examples are the current portion of interest-bearing liabilities, bank overdrafts, dividends payable, income taxes and other non-trade payables. Interest-bearing liabilities that provide the financing for working capital on a long-term basis, and are not due for settlement within twelve months, are non-current liabilities.

47 An enterprise should continue to classify its long-term interest-bearing liabilities as non-current, even when they are due to be settled within twelve months of the balance sheet date if:

(a) the original term was for a period of more than twelve months;
(b) the enterprise intends to refinance the obligation on a long-term basis; and
(c) that intention under (b) is supported by an agreement to refinance, or to reschedule payments, which is completed before the financial statements are approved.

The amount of any liability that has been excluded from current liabilities in accordance with this paragraph, together with information in support of this presentation, should be disclosed in the notes to the financial statements.

48 Some obligations that are due to be repaid within the next operating cycle may be expected to be refinanced or “rolled over” and, therefore, are not expected to use current working capital of the enterprise. Such obligations are considered to form part of the enterprise’s long-term financing and should be classified as non-current. However, in situations where there is no agreement to refinance, the refinancing cannot be considered automatic and the obligation is classified as current unless the completion of a refinancing agreement before approval of the financial statements provides evidence that the substance of the liability at the balance sheet date was long-term.

Information to be Presented on the Face of the Balance Sheet

49 The balance sheet of an enterprise should be presented in such a manner so as to highlight the elements of the financial position which are required for fair presentation. At a minimum, the face of the balance sheet should include line items which present the following amounts:

(a) tangible assets;
(b) intangible assets;
(c) financial assets;
(d) investments accounted for using the equity method;
(e) inventories;
(f) trade and other receivables;
(g) cash and cash equivalents;
(h) trade and other payables;
(i) estimated liabilities;
(j) non-current interest-bearing liabilities;
(k) minority interest; and
(l) share capital and other equity accounts.

Additional line items, headings and sub-totals should be presented on the face of the balance sheet when a Statement of Financial Accounting Standard requires such presentation, or when such presentation is necessary to present fairly the enterprise’s financial position.

50 This Statement does not prescribe the order or format in which items are to be presented in the balance sheet. Paragraph 49 simply provides a list of items that are so different in nature or function that they deserve separate presentation on the face of the balance sheet. Adjustments to the line items above include the following:

(a) line items are added when Statement of Financial Accounting Standards require separate presentation on the face of the balance sheet, or when the item is so material that separate presentation would assist in presenting fairly the enterprise’s financial position; and
(b) the descriptions used and the ordering of items may be amended according to the nature of the enterprise and its transactions, to provide information that is necessary for an overall understanding of the enterprise’s financial position.

51 The judgement on whether additional items are separately presented is based on an assessment of:

(a) the nature, liquidity and materiality of the assets;
(b) their function within the enterprise; and
(c) the amounts, nature and timing of liabilities.

52 Assets and liabilities that differ in nature or function are sometimes subject to different measurement bases. For example certain classes of assets may be carried at cost, or at revalued amounts. The use of different measurement bases for different classes of assets suggests that their nature or function differs and therefore that they should be presented as separate line items.

Information to be Presented Either on the Face of the Balance Sheet or in the Notes

53 An enterprise should disclose, either on the face of the balance sheet or in the notes to the financial statements, sub-classifications of the line items presented, classified in a manner appropriate to the enterprise's operations. Each item should be classified, when appropriate, by its nature, and amounts payable to or receivable from the parent enterprise, fellow subsidiaries, associates and other related parties should be disclosed separately.

54 The detail provided in sub-classifications, either on the face of the balance sheet or in the notes, depends on the requirements of the Statement of Financial Accounting Standards and the materiality of the line item amounts. The factors set out in paragraph 51 can be used to determine the basis for sub-classification.

55 An enterprise should disclose the following, either on the face of the balance sheet or in the notes:

(a) for each class of share capital:
- ***(i) the number of shares authorized;***
- ***(ii) the number of shares issued and fully paid;***
- ***(iii) par value per share;***
- ***(iv) the summary of changes in the number of shares outstanding;***
- ***(v) the rights, preferences and restrictions associated with that class including restrictions on the distribution of dividends and the repayment of capital;***
- ***(vi) shares in the enterprise held by the enterprise itself or by subsidiaries or associates of the enterprise; and***
- ***(vii) shares reserved for issuance under options and sales contracts, including the terms and amounts;***

(b) a description of the nature and purpose of each reserve within owners' equity;
(c) a description of whether the dividends which have been proposed but not yet formally approved for payment, have been included or not included in liabilities; and
(d) the amount of any cumulative preference dividends not recognized.

An enterprise without share capital, such as a partnership, should disclose information equivalent to that required above, showing movements during the period in each category of equity interest and the rights, preferences and restrictions associated with each category of equity interest.

INCOME STATEMENT

Information to be Presented on the Face of the Income Statement

56 The income statement of an enterprise is presented in such a manner so as to highlight the elements of financial performance which are required for fair presentation. At a minimum, the face of the income statement should include line items which present the following amounts:

(a) revenue;
(b) operating profit or loss;
(c) financing costs;
(d) share of profits or losses of affiliated companies and associates accounted for using the equity method;
(e) tax expense;
(f) profit or loss from ordinary activities;
(g) extraordinary items;
(h) minority interest; and
(i) net profit or loss for the period.

Additional line items, headings and sub-totals should be presented on the face of the income statement when required by a Statement of Financial Accounting Standard, or when such presentation is necessary to present fairly the enterprise's financial performance.

57 The effects of an enterprise's various activities, transactions and events differ in stability, risk and predictability. The disclosure of the elements of performance assists in an understanding of the performance achieved and in assessing future results. Additional line items are included on the face of the income statement, and the descriptions used and the ordering of items are amended when this is necessary to explain the elements of performance. Factors to be taken into consideration include materiality and the nature and function of the various components of income and expenses.

Information to be Presented Either on the Face of the Income Statement or in the Notes

58 ***An enterprise should present, either on the face of the income statement or in the notes to the financial statements, an analysis of expenses using a classification based on either the nature of expenses or their function within the enterprise.***

59 Enterprises are encouraged to present the analysis in paragraph 58 on the face of the income statement. Expense items are further sub-classified in order to highlight a range of components of financial performance which may differ in terms of stability, potential for gain or loss and predictability. This information is provided in one of two ways.

60 The first analysis is referred to as the nature of the expense method. Expenses are aggregated in the income statement according to their nature (for example: depreciation, purchases of materials, transport costs, wages and salaries, advertising costs), and are not reallocated amongst various functions within the enterprise. This method is simple to apply in many smaller enterprises because no allocations of operating expenses between functional classifications is necessary. An example of a classification using the nature of expense method is as follows:

Revenue		X
Other operating income		X
Changes in inventories of finished goods and work in progress	X	
Raw materials and consumables used	X	
Staff costs	X	
Depreciation and amortization expense	X	
Other operating expenses	X	
Total operating expenses		(X)
Operating profit		X
		======

61 The change in finished goods and work in progress during the period represents an adjustment to production expenses to reflect the fact that either production has increased inventory level or that sales in excess of production have reduced inventory levels.

62 The second analysis is referred to as the function of expense or cost of sales method and classifies expenses according to their function as part of cost of sales, distribution or administrative activities. This presentation often provides more relevant information to users, but the allocation of costs to functions can be arbitrary and involves considerable judgement. An example of a classification using the function of expense method is as follows:

Revenue	X
Cost of sales	(X)
Gross profit	X
Other operating income	X

Distribution costs	(X)
General and administrative expenses	(X)
Other operating expenses	(X)
Operating profit	X
	=====

63 Enterprises classifying expenses by function should disclose additional information on the nature of expenses, including depreciation and amortization expense and staff costs.

64 The choice of analysis between the cost of sales method and the nature of the expense method depends on both historical and industry factors and the nature of the organization. Both methods provide an indication of those costs which might be expected to vary, directly or indirectly, with the level of sales or production of the enterprise. Because each method of presentation has merit for different types of enterprises, this Statement permits a choice between classifications based on that which most fairly presents the elements of the enterprise's performance. However, because information on the nature of the expense is useful in predicting future cash flows, additional disclosure is required when the cost of sales classification is used.

65 An enterprise should disclose, either on the face of the income statement or in the notes, the amount of dividends per share, declared or proposed.

STATEMENT OF CHANGES IN EQUITY

66 An enterprise should present, as a separate component of its financial statements, a statement showing:

(a) the net profit or loss for the period;
(b) each item of income and expense, gain or loss which, as required by the Statement of Financial Accounting Standards, is recognized directly in equity, and the total of these items;
(c) the cumulative effect of changes in accounting policy and the correction of fundamental errors dealt with under the related Statement of Financial Accounting Standards.
(d) capital transactions with owners and distributions to owners;
(e) the balance of accumulated profit or loss at the beginning of the period and at the balance sheet date, and the movements for the period; and
(f) a reconciliation between the carrying amount of each class of equity capital, additional paid-in capital and each reserve at the beginning and at the end of the period, separately disclosing each movement.

67 Changes in an enterprise's equity between two balance sheet dates reflect the increase or decrease in its net assets or wealth during the period, under the particular measurement principles adopted and disclosed in the financial statements. Except for changes resulting from transactions with shareholders, such as capital contributions and

dividends, the enterprise's change in equity represents the total gains and losses generated by the enterprise's activities during the period.

CASH FLOW STATEMENT

68 The related Statement of Financial Accounting Standard sets out requirements for the presentation of the cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS

Structure

69 Notes to the financial statements should be presented in a systematic manner. Each item on the face of the balance sheet, income statement and cash flow statement should be cross-referenced to any related information in the notes. The notes to the financial statements of an enterprise should disclose:

(a) information about the basis of preparation of the financial statements and the specific accounting policies selected and applied for significant transactions and events;
(b) information required by the Statement of Financial Accounting Standards that is not presented on the face of the financial statements;
(c) additional information which is not presented on the face of the financial statements but that is necessary for a fair presentation.

70 Notes to the financial statements include narrative descriptions or more detailed analysis of amounts shown on the face of the balance sheet, income statement, cash flow statement and statement of changes in equity, as well as additional information such as contingent liabilities and commitments. They include information required and encouraged to be disclosed by the Statement of Financial Accounting Standards, and other disclosures necessary to achieve a fair presentation.

71 Notes are normally presented in the following order which assists users in understanding the financial statements and comparing them with those of other enterprises:

(a) statement of the measurement basis and accounting policies applied;
(b) supporting information for items presented on the face of each financial statement in the order in which each line item and each financial statement is presented;
(c) other disclosures, including contingencies, commitments and other financial disclosures as well as non-financial disclosures.

A systematic structure for the notes is retained as far as practicable.

Presentation of Accounting Policies

72 The accounting policies section of the notes to the financial statements should describe the following:

(a) the measurement basis used in preparing the financial statements; and
(b) each specific accounting policy that is necessary for a proper understanding of the financial statements.

73 It is important for users to be aware of the measurement basis used (historical cost, current cost, realizable value, fair value or present value) because they form the basis on which the financial statements are prepared. When more than one measurement basis is used in the financial statements, it is sufficient to provide an indication of the categories of assets and liabilities to which each measurement basis is applied. In deciding whether a specific accounting policy should be disclosed, management considers whether disclosure would assist users in understanding the way in which transactions and events are reflected in the reported performance and financial position. The accounting policies that an enterprise might consider presenting include, but are not restricted to, the following:

(a) revenue recognition;
(b) consolidation principles;
(c) business combinations;
(d) joint ventures;
(e) recognition of expenses, including method of depreciation/amortization of tangible and intangible assets;
(f) capitalization of borrowing costs and other expenditures;
(g) construction contracts;
(h) investment properties;
(i) financial instruments and investments;
(j) leases;
(k) research and development costs;
(l) inventories;
(m) taxes, including deferred taxes;
(n) provisions;
(o) employee benefit costs;
(p) foreign currency translation and hedging;
(q) definition of business and geographical segments and the basis for allocation of costs between segments;
(r) definition of cash and cash equivalents;
(s) inflation accounting; and
(t) government grants.

Other Disclosures

74 An enterprise should disclose the following if not disclosed elsewhere in the information published with the financial statements:

(a) the domicile and legal form of the enterprise, its country of incorporation and the address of the registered office or principal place of business, if it is different from the registered office;

(b) a description of the nature of the enterprise's operations and its principal activities;
(c) the names of the enterprises in one group, the associated enterprises, the parent and holding enterprise;
(d) the name of the members of directors and commissioners; and
(e) either the number of employees at the end of the period or the average for the period.

75 An enterprise should disclose, for each borrowing or issuance of debt security denominated in foreign currency, the following:

(a) the general characteristics of each of the borrowing and debt security, including information on the interest rates and the name of the creditors;
(b) the nominal value denominated in foreign currency, and the term, maturity date, installment or payment schedule of the borrowing;
(c) the conversion basis to other securities, if convertible;
(d) the foreign exchange rate used at the balance sheet date;
(e) collateral;
(f) other important matters, such as credit terms which are not fulfilled.

76 If a Statement of Financial Accounting Standard is applied before its effective date and earlier application is in accordance with the provisions of that Statement, that fact should be disclosed.

EFFECTIVE DATE

77 This Statement is effective for the preparation and presentation of financial statements covering periods beginning on or after January 1, 1999. Earlier application is encouraged.

Appendix

Illustration of Changes in Equity

This appendix is for illustration purposes only and is not a part of this Statement. The purpose of this appendix is to illustrate the application of this Statement in order to help the users understand the provisions of this Statement. The order of the presentation and description, if necessary, can be changed to accommodate the condition of each enterprise in order to achieve a fair presentation of the financial statements, taking into consideration the related Statement of Financial Accounting Standards.

PT XYZ and Subsidiaries
Statement of Changes in Equity
For the Years Ended 31 December 19-2
(in thousands of Rupiah)

	Share Capital	Additional Paid-in Capital	Revaluation Difference	Cumulative Translation Adjustment	Retained Earnings	Total
Balance at 31/12/19-0	X	X	X	(X)	X	X
Changes in accounting policy	-	-	-	-	(X)	(X)
Restated balance	X	X	X	(X)	X	X
Difference arising from revaluation of fixed assets			X			X
Unrealized gains or losses arising from ownership of securities			(X)			(X)
Currency translation differences				(X)		(X)
Net gains/losses not recognized in the income statement			X	(X)		X
Net profit for the period					X	X
Dividends					(X)	(X)
Issuance of share capital	X	X				X
Balance at 31/12/19-1	X	X	X	(X)	X	X
Difference arising from revaluation of fixed assets			(X)			(X)
Unrealized gains or losses arising from ownership of securities			X			X
Currency translation differences				(X)		(X)
Net gains/losses not recognized in the income statement			(X)	(X)		(X)
Net profit for the period					X	X
Dividends					(X)	(X)
Issuance of share capital	X	X				X
Balance at 31/12/19-2	X	X	X	(X)	X	X