



Accounting News Flash

January 2017

Revocation of Circular Letter regarding Accounting for Telecommunication Towers

On 5 September 2016, the Financial Services Authority ("OJK") issued Circular Letter number 36/SEOJK.04/2016 ("Circular Letter"), which revokes the previously issued Circular Letter Number 27/SEOJK.04/2015 ("Previous Circular Letter") with regard to accounting for telecommunication towers.

This revocation is expected to resolve the perceived differences that arise between the Previous Circular Letter and the requirements under ISAK 31, whereby the Previous Circular Letter specifically requires telecommunication tower companies to account for the telecommunication tower as an investment property under PSAK 13, while those following the guidance under ISAK 31 may conclude that similar assets are to be accounted for as property, plant and equipment under PSAK 16. This Circular Letter eliminates the duality of accounting standards for a specific transaction, such that it confirms that publicly listed entities shall follow the existing requirements under ISAK 31 to account for telecommunication towers held for rental.

Effective date and transition provision – Circular Letter	Effective date and transition provision – ISAK 31
This Circular Letter is effective from the date it is enacted. By withdrawal of the Previous Circular Letter, ISAK 31 is applicable for financial statements that are to be filled to the OJK since 2018.	ISAK 31, on the other hand, is effective for annual periods beginning on or after 1 January 2017, with permission for early adoption. It specifies transition provisions that in substance are a prospective catch-up approach based on the analysis as of 1 January 2016, and that the financial statements prior to 1 January 2016 (to the extent affected by ISAK 31) do not need to be restated.

Listed telecommunication tower companies may need to carefully analyze the effective date of the Circular Letter, taking into consideration the effective date and specified transition provisions of ISAK 31.

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