KPMG

Accounting News Flash

August 2016

Exposure drafts on Indonesian Financial Accounting Standards released in August 2016

Several new exposure drafts ("ED") have been released by Indonesian Financial Accounting Standards Board – IAI. These exposure drafts are open for comments until 23 September 2016, except for ED PSAK 70 of which the comment period is limited until 26 August 2016. Below is the highlights of the exposure drafts:

ED Amendments to PSAK 2: Disclosure Initiatives

The amendments require entities to provide information about liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes (e.g. a reconciliation between the opening and closing balances for liabilities arising from financing activities). The amendments are to be effective for periods beginning on or after 1 January 2018.

ED Amendments to PSAK 46: Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify :

a) how to account for the deferred tax assets when an entity hold debt instruments measured at fair value, and
b) the requirements on recognition of deferred tax assets for unrealized losses.

The amendments are to be effective for periods beginning on or after 1 January 2018.

ED Annual Improvements – 2016

The 2016 Annual Improvements, which are to be effective for periods beginning on or after 1 January 2017, comprised of narrow-scope amendments for the following standards:

- **PSAK 3 *Interim Financial Statements* -** Clarify that certain disclosures that are not included in the notes to interim financial statements may be disclosed "elsewhere in the interim financial report" by way of cross referencing (i.e. to press release information, etc.), but such information should be made available to users on the same terms and at the same time.
- **PSAK 24 *Employee Benefits* -** Clarify that the market for high-quality corporate bonds from which the discount rate is determined, should be assessed at the currency denomination level instead of the country level.
- **PSAK 58 *Non-Current Assets Held for Sale and Discontinued Operations* -** Clarify that changes in method of disposal (i.e. from held-for-distribution to owners into held-for-sale, or vice versa) are considered as continuation of the original plan of disposal; accordingly an entity shall continue to apply held-for-distribution or held-for-sale accounting.
- **PSAK 60 *Financial Instruments: Disclosures* -** Clarify when a servicing arrangement is in the scope of disclosure requirements of PSAK 60. The servicing arrangement is in the scope when the terms of the arrangement constitute a continuing involvement by a servicer (e.g. a servicer is deemed to still have an interest in the future performance of the transferred assets). The amendments also clarify that PSAK 60 does not specifically prescribe offsetting disclosures in the condensed interim financial statements, unless if such disclosures are required by PSAK 3.

ED Conceptual Framework

It updates existing conceptual framework and adopts the 2010 version of the International Accounting Standards Board (IASB)'s conceptual framework. Two new chapters are added (e.g. Chapter 1 "Objectives of General Purpose Financial Reporting" and Chapter 3 "Qualitative Characteristics of Useful Financial Information"). The existing framework is now moved to Chapter 4. While the framework for Chapter 2 "Reporting entity" are to be added later (to follow the upcoming IASB project on the conceptual framework).

The conceptual framework is to be effective immediately upon finalization of the standard.

ED PSAK 70: Accounting for Assets and Liabilities of Tax Amnesty

ED PSAK 70 stipulates a guidance for an entity on the recognition of assets and liabilities arising from the application of *Undang-Undang No 11 Tahun 2016* (Tax Amnesty Law). This standard is to be effective since Tax Amnesty Law was enacted. Following are the key summary of the standard:

- It provides an optional exemption on the initial recognition and measurement of the assets and liabilities by reference to the amounts as declared to the tax authorities. The liabilities, however, should correspond to the contractual obligation to settle the amounts due that are directly associated with the acquisition of the respective assets. An entity shall recognize the corresponding entry of those recognized assets and liabilities as "additional paid-in capital" in the equity.

  If an entity chooses not to apply the above optional exemption, it needs to follow the recognition and measurement principles in Indonesian Financial Accounting Standards, including requirements of PSAK 25 "Accounting Policies, Changes in Accounting Estimates and Errors" upon transition.

- The levy paid to tax authorities as a result of application of the tax amnesty law is out-of-scope of PSAK 46 "Income Tax" and is to be recognized in the profit or loss during the period.
- An entity shall follow existing requirements in the prevailing effective Indonesian Financial Accounting Standards for the subsequent measurement (including the derecognition).
- An entity applying the optional exemption is required to present the assets and liabilities arising from the application of tax amnesty law separately from other assets and liabilities in the statement of financial position.

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