

Bank Indonesia Financial Accounting Policies (KAKBI)



Komite Penyusun KAKBI

**STATEMENT OF FINANCIAL ACCOUNTING POLICY
NUMBER 03**

**THE EFFECTS OF CHANGES IN FOREIGN EXCHANGE
RATES**

FOREWORD

The Steering Board of the Bank Indonesia Financial Accounting Policies Committee (“KAKBI Committee”) approved and adopted the Statement of Financial Accounting Policy No. 03 (on the Effects of Changes in Foreign Exchange Rates) at its meeting on 20 December 2013.

Jakarta, 20 December 2013

KAKBI Committee Steering Board

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1 **STATEMENT OF FINANCIAL ACCOUNTING POLICY NUMBER 03**

2
3 **The Effects of Changes in Foreign Exchange Rates**

4
5 *Statement of Financial Accounting Policy (PKAK) 03 consists of*
6 *paragraphs 1-25. All of the paragraphs in this Statement are equally*
7 *binding. The paragraphs that are printed in bold type and italics set*
8 *out the main principles. PKAK 03 must be read in conjunction with the*
9 *Fundamental Principles for the Preparation and Presentation of Bank*
10 *Indonesia Financial Statements. PKAK 01: Accounting Policies*
11 *describes the basis for the selection of accounting policies if no*
12 *specific PKAK is applicable. It is not mandatory for this Statement to*
13 *be applied to elements that are not material.*

14
15 **INTRODUCTION**

16
17 **Objective**

18
19 01. Bank Indonesia conducts transactions that are denominated in
20 foreign currency so as to achieve the Bank Indonesia's objective. The
21 objective of this statement is to explain the currency to be used in
22 measurement and presentation by Bank Indonesia and how to include
23 foreign currency transactions in the financial statements of Bank Indonesia.
24

25 02. The principal issues are the measurement and presentation
26 currency to be used by Bank Indonesia, the exchange rate(s) to use, and how
27 to report the effects of changes in exchange rates in the financial statements.
28

29 **Scope**

30
31 **03. This Statement shall be applied in accounting for foreign**
32 **currency transactions and balances in foreign currency denominated**
33 **monetary account related to Bank Indonesia unique transactions.**
34 **Accounting for foreign currency transactions and balances in foreign**
35 **currency denominated monetary account related to Bank Indonesia**
36 **non-unique transactions, including non-monetary items recorded in**
37 **foreign currency, are governed by the GAS on The Effects of Changes in**
38 **Foreign Exchange Rates, in accordance with PKAK 07: Non-Unique**
39 **Transactions.**

1 04. Examples of Bank Indonesia unique transactions include the
 2 acquisition or disposal of foreign currency denominated monetary assets for
 3 the purpose of conducting market interventions or to maintain the
 4 composition of foreign exchange reserves. The acquisition of foreign currency
 5 denominated monetary liabilities for the purpose of conducting market
 6 intervention or performing Bank Indonesia’s function as the Government of
 7 Indonesia’s banker is another example of a Bank Indonesia unique
 8 transaction. By contrast, foreign exchange transactions for the purchase of
 9 fixed assets, the payment of honorariums and official travel expenses are
 10 examples of Bank Indonesia non-unique transactions.

11
 12 **05. This Statement does not apply to accounting for derivative**
 13 **transactions and balances, which are covered by PKAK 06: Policy-**
 14 **related Financial Instruments, and the GAS on the Recognition and**
 15 **Measurement of Financial Instruments, in accordance with PKAK 07:**
 16 **Non-Unique Transactions.**

17
 18 06. PKAK 06: Policy-related Financial Instruments, and the GAS on
 19 the Recognition and Measurement of Financial Instruments, in accordance
 20 with PKAK 07: Non-Unique Transactions apply to some foreign currency
 21 derivatives with the result that they are excluded from the scope of this
 22 Statement. Foreign currency derivatives that do not come within the scope of
 23 PKAK 06: Policy-related Financial Instruments, and the GAS on the
 24 Recognition and Measurement of Financial Instruments, in accordance with
 25 PKAK 07: Non-Unique Transaction, for example foreign currency derivatives
 26 that are inherent in other contracts, are within the scope of this Statement.

27
 28 **07. This Statement does not apply to foreign currency hedge**
 29 **accounting. PKAK 06: Policy-related Financial Instruments and the**
 30 **GAS on the Recognition and Measurement of Financial Instruments, in**
 31 **accordance with PKAK 07: Non-Unique Transactions apply to hedge**
 32 **accounting.**

33
 34 **Definitions**

35
 36 **08. The following terms are used in this Statement:**

37
 38 **Exchange rate is the ratio of exchange for two currencies.**

39
 40 **Spot exchange rate is the exchange rate for immediate delivery, in the**
 41 **form of Bank Indonesia mid rate or transaction rate.**

1 **Bank Indonesia mid exchange rate is the midpoint between Bank**
2 **Indonesia buying and selling rates.**

3
4 **Transaction exchange rate is the rate that is agreed upon by the**
5 **parties to a transaction.**

6
7 **Fair value is the price that would be received to sell an asset or paid**
8 **to transfer a liability in an orderly transaction between market**
9 **participants at the measurement date.**

10
11 **Monetary item is a unit of currency held and assets and liabilities to**
12 **be received or paid in a fixed or determinable number of units of**
13 **currency. Monetary items may consist of monetary assets and**
14 **liabilities.**

15
16 The essential feature of a monetary item is a right to receive (or an obligation
17 to deliver) a fixed or determinable number of units of currency. For example:

- 18 (a) the variable amount of assets in which the fair value to be received (or
19 delivered) equals a fixed or determinable number of units of currency;
20 (b) a contract to receive (or deliver) a variable amount of liability
21 instruments held; and
22 (c) pensions and other employee benefits to be paid in cash.

23
24 Conversely, the essential feature of a non-monetary item is the absence of a
25 right to receive (or an obligation to deliver) a fixed or determinable number of
26 units of currency. For example:

- 27 (a) fixed assets;
28 (b) advance payments for goods and services (e.g. prepaid rent); and
29 (c) intangible assets.

30
31 **Exchange difference is the difference resulting from translating a**
32 **given number of units of one currency into another currency at**
33 **different exchange rates.**

34
35 **Revaluation reserves are the cumulative changes in the fair value of**
36 **assets and liabilities of Bank Indonesia, or the financial impacts of**
37 **Bank Indonesia unique transactions where such transactions have yet**
38 **to achieve their ultimate objectives.**

1 ***Foreign currency revaluation reserves are the cumulative exchange***
2 ***rate differences from currency translations during inter-foreign***
3 ***exchange transaction movements as financial impacts of Bank***
4 ***Indonesia unique transactions where such transactions have yet to***
5 ***achieve their ultimate objectives.***

6
7 ***General Accounting Standards (GAS) are statements and***
8 ***interpretations issued by the Indonesian Institute of Accountants'***
9 ***Financial Accounting Standards Board.***

10
11 ***Bank Indonesia unique transactions are:***

- 12 ***(a) transactions that are only found in Bank Indonesia as the central***
13 ***bank; and***
14 ***(b) transactions that are found in other entities, but conducted by***
15 ***Bank Indonesia with different objectives from other entities.***

16
17 ***Foreign currency is a currency other than rupiah.***

18
19 **MEASUREMENT AND PRESENTATION CURRENCY AND FOREIGN**
20 **CURRENCY TRANSACTIONS**

21
22 ***09. The Rupiah is the currency that is used to measure all***
23 ***transactions and to present Bank Indonesia financial statements.***

24
25 10. Bank Indonesia, as the central bank of the Republic of Indonesia,
26 in accordance with Bank Indonesia's objective and common practice among
27 central banks in other countries, measures all transactions and presents its
28 financial statements in the national currency, namely, Rupiah.

29
30 11. Foreign currency transactions are transactions that are
31 denominated or require settlement in a foreign currency, including
32 transactions that arise when Bank Indonesia:

- 33 (a) acquires or disposes of foreign currency;
34 (b) incurs or settles debts denominated in foreign currency; or
35 (c) acquires or releases other monetary assets denominated in foreign
36 currency.

1 **INITIAL RECOGNITION**

2
 3 **12. At the time of initial recognition, foreign currency amounts**
 4 **are calculated in Rupiah using the spot exchange rate on the date of**
 5 **the transaction. The spot rate for inter-foreign currency transactions**
 6 **is the Bank Indonesia mid exchange rate, while the spot exchange rate**
 7 **for Rupiah to foreign exchange transactions is the transaction**
 8 **exchange rate. Inter-foreign exchange transactions do not give rise to**
 9 **foreign exchange differences upon initial recognition.**

10
 11 **MEASUREMENT SUBSEQUENT TO INITIAL RECOGNITION**

12
 13 **13. At the end of each reporting period, foreign currency-**
 14 **denominated monetary items balances are translated using the Bank**
 15 **Indonesia mid exchange rate at the end of the reporting period.**

16
 17 **14. At the end of each reporting period, the difference between**
 18 **previous carrying amount and results of translation of foreign**
 19 **currency-denominated monetary items balances is recognised as a**
 20 **foreign currency revaluation reserve.**

21
 22 **RECOGNITION OF FOREIGN EXCHANGE GAINS / LOSSES**

23
 24 **15. When foreign exchange transactions have achieved their**
 25 **ultimate objective, the balance of foreign currency revaluation reserves**
 26 **is recognised as a foreign exchange gain / loss in the statement of**
 27 **surplus deficit.**

28
 29 **16. The ultimate objective of the transaction is achieved at the**
 30 **time the foreign currency is converted into rupiah or gold, or foreign**
 31 **currency-denominated liabilities are derecognised.**

32
 33 **17. Examples of transactions that have achieved their ultimate**
 34 **objective include the release of United States dollars for the purpose of**
 35 **market interventions, or the settlement of monetary liabilities denominated**
 36 **in foreign currency. Another example is the purchase of gold by using foreign**
 37 **currency.**

1 **18. The balance of foreign currency revaluation reserves is**
 2 **tracked based on inter-foreign exchange transaction movements so**
 3 **that when a foreign exchange transaction has achieved its ultimate**
 4 **objective, the foreign currency revaluation reserves balance that must**
 5 **be transferred to the statement of surplus deficit can be identified.**
 6 **The tracking of the foreign currency revaluation reserves balance is**
 7 **carried out systematically so as to ensure that the amount that is**
 8 **transferred to the statement of surplus deficit is reliable.**

9
 10 **TAX EFFECT ON FOREIGN CURRENCY REVALUATION RESERVE**

11
 12 19. The foreign currency revaluation reserves that are transferred as
 13 foreign exchange gains or losses to the statement of surplus deficit may have
 14 tax consequences. The GAS on Accounting for Income Tax, in accordance
 15 with PKAK 07: Non-Unique Transactions, applies to this tax effect.

16
 17 **PRESENTATION AND DISCLOSURE**

18
 19 **20. The foreign currency revaluation reserves are presented as**
 20 **part of the revaluation reserves in the statement of financial position.**

21
 22 **21. Foreign exchange gains or losses are presented in the**
 23 **statement of surplus deficit.**

24
 25 22. Bank Indonesia discloses:
 26 (a) Bank Indonesia mid exchange rate used at the end of the reporting
 27 period.
 28 (b) the accounting policies applied to foreign currency transactions and
 29 balances, including explanations on how the foreign currency
 30 revaluation reserves balance is tracked.
 31 (c) reconciliation of the amount of foreign currency revaluation reserves at
 32 the beginning and end of the period.

33
 34 23. Reconciliation of the foreign currency revaluation reserves, as
 35 referred to in paragraph 22(c), is disclosed by revealing:
 36 (a) total increase in the foreign currency revaluation reserves.
 37 (b) total reduction due to the transfer of a foreign exchange revaluation
 38 reserves when the foreign exchange transaction has achieved its
 39 ultimate objective.

1 **TRANSITIONAL PROVISIONS**

2

3 24. This Statement shall apply prospectively, and shall apply to
4 balances of monetary assets and liabilities existing on the effective date.

5

6 **EFFECTIVE DATE**

7

8 25. This Statement shall be effective counting from such date as may
9 be stipulated by Bank Indonesia Board of Governors' Regulation.

Bank Indonesia Financial Accounting Policies Committee

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