

Bank Indonesia Financial Accounting Policies (KAKBI)



Komite Penyusun KAKBI

**STATEMENT OF FINANCIAL ACCOUNTING POLICY
NUMBER 5**

CURRENCY IN CIRCULATION

FOREWORD

The Steering Board of the Bank Indonesia Financial Accounting Policies Committee (“KAKBI Committee”) approved and adopted the Statement of Financial Accounting Policy No. 05 (on currency in circulation) at its meeting on 20 December 2013.

Jakarta, 20 December 2013

KAKBI Committee Steering Board

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STATEMENT OF FINANCIAL ACCOUNTING POLICY NUMBER 05**Currency in Circulation**

Statement of Financial Accounting Policy (PKAK) 05 consists of paragraphs 1-17. All of the paragraphs in this Statement are equally binding. The paragraphs that are printed in bold type and italics set out the main principles. PKAK 05 must be read in the context of regulation objectives and in conjunction with the Fundamental Principles for the Preparation and Presentation of Bank Indonesia Financial Statements. PKAK 01: Accounting Policies describes the basis describes the basis for the selection and application of accounting policies if no specific PKAK is applicable. It is not mandatory for this Statement to be applied to elements that are not material.

INTRODUCTION**Background**

01. One of the duties of Bank Indonesia is for regulating and safeguarding the smooth operation of the National Payments System.

02. Under the provisions of the laws and regulations in effect, in order to carry out its duty of regulating and safeguarding the smooth operation of the payments system, Bank Indonesia is authorized to manage Rupiah currency, which includes planning, printing, issuing, distributing, revoking, withdrawing, and destructing of Rupiah Currency. Bank Indonesia coordinates with the government in terms of planning, printing and destructing Rupiah Currency.

03. Those aspects of destructing of Rupiah Currency management that affect the amount of currency in circulation in the public include the distribution, revoking and withdrawing destructing of Rupiah Currency. Rupiah Currency that is in circulation in public constitutes Currency in Circulation, reflecting one of Bank Indonesia's monetary obligations as the central bank to the public amounting to the nominal value of Rupiah.

Objective

04. The objective of this Statement is intended to govern accounting for Currency in Circulation.

1 **Scope**

2
3 **05. This Statement applies to accounting for Currency in**
4 **Circulation, which includes the distribution, revocation and**
5 **withdrawal of Rupiah Currency. This Statement does not apply to**
6 **transactions related to the planning, printing, issuance and**
7 **destruction of Rupiah Currency**

8
9 **Definitions**

10
11 **06. The following terms are used in this Statement:**

12
13 **Currency in circulation is Rupiah Currency that is not under the**
14 **control of Bank Indonesia.**

15
16 **Rupiah Currency is legal tender issued by the Unitary Republic of**
17 **Indonesia.**

18
19 **Rupiah Currency Management refers to those activities involving the**
20 **Planning, Printing, Issuing, Circulating, Revocating and Withdrawing,**
21 **and Destructing of Rupiah Currency, which shall be conducted in an**
22 **effective, efficient, transparent, and accountable manner.**

23
24 **Planning is a series of activities designed to determine the amount**
25 **and denominations of Rupiah Currency based on the need for Rupiah**
26 **Currency at certain periods.**

27
28 **Printing is a series activities involved in the printing of Rupiah**
29 **Currency.**

30
31 **Issuance is a series of activities related to the issuance of Rupiah**
32 **Currency as the legal tender within the territory of the Unitary**
33 **Republic of Indonesia.**

34
35 **Circulation is a series of activities of circulation or distribution of**
36 **Rupiah Currency within the territory of the Unitary Republic of**
37 **Indonesia.**

38
39 **Revocation and Withdrawal is a series of activities that result in**
40 **Rupiah Currency being no longer valid as legal tender in the territory**
41 **of the Unitary Republic of Indonesia.**

1 ***Destruction is a series of activities involving shredding, melting or***
2 ***other actions to destroy Rupiah Currency so that it no longer has the***
3 ***appearance of Rupiah Currency.***

4 5 **RECOGNITION**

6
7 ***07. Rupiah Currency is recognised as Currency in Circulation***
8 ***when it is not under the control of Bank Indonesia.***

9
10 08. Rupiah Currency is treated as being beyond the control of Bank
11 Indonesia at the time when a commercial bank and / or member of the
12 public withdraws Rupiah Currency from Bank Indonesia. However,
13 sometimes Rupiah Currency is entrusted by Bank Indonesia to a commercial
14 bank in a particular location if Bank Indonesia does not have a branch office
15 there. Such Rupiah Currency continues to be under the control of Bank
16 Indonesia and is thus excluded from Currency in Circulation. It only
17 becomes Currency in Circulation when the commercial bank (holding the
18 Rupiah Currency deposit) and / or other member of the public withdraw it.

19 20 **DERECOGNITION**

21
22 ***09. Currency in Circulation is derecognised if and only if***
23 ***Rupiah Currency:***

- 24 ***(a) comes under the control of Bank Indonesia again; or***
25 ***(b) has been declared invalid as legal tender due to its revocation***
26 ***and withdrawal from circulation and is no longer controlled by***
27 ***Bank Indonesia after a certain period of time has elapsed, in***
28 ***accordance with the provisions of the laws and regulations in***
29 ***effect.***

30
31 10. Rupiah Currency comes under the control of Bank Indonesia
32 again when the Rupiah is deposited to Bank Indonesia by third party.

33
34 11. At the time Bank Indonesia revokes and withdraws Rupiah
35 Currency from circulation, public may exchange such Rupiah Currency for a
36 certain period, as stipulated by the provisions of the laws and regulations in
37 effect. After the exchange period has expired, public will no longer have a
38 claim on Bank Indonesia in the amount of the nominal value of the Rupiah
39 Currency. Therefore, Bank Indonesia derecognises the Rupiah Currency as
40 Currency in Circulation.

MEASUREMENT

12. Currency in Circulation is measured in the amount of its nominal value as stated in denomination of Rupiah Currency.

13. Under the legislation, the price of Rupiah Currency is the nominal value stated on each denomination of Rupiah Currency. Consequently, a claim by a member of the public on Bank Indonesia in respect of Rupiah Currency represents the nominal value of each denomination that the member of the public holds.

PRESENTATION

14. Currency in Circulation is presented as a liability on the Statement of Financial Position.

DISCLOSURE

15. Bank Indonesia discloses the accounting policy applied to the recognition and measurement of Currency in Circulation.

TRANSITIONAL PROVISIONS

16. This Statement shall apply prospectively, and also shall apply to Currency in Circulation as per the effective date.

EFFECTIVE DATE

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

Bank Indonesia Financial Accounting Policies Committee

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