

# Bank Indonesia Financial Accounting Policies (KAKBI)



Komite Penyusun KAKBI

**STATEMENT OF FINANCIAL ACCOUNTING POLICY  
NUMBER 04**

**GOLD**

## **FOREWORD**

The Steering Board of the Bank Indonesia Financial Accounting Policies Committee (“KAKBI Committee”) approved and adopted the Statement of Financial Accounting Policy No. 04 (on Gold) at its meeting on 20 December 2013.

Jakarta, 20 December 2013

KAKBI Committee Steering Board

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## TABLE OF CONTENTS

	Paragraph
<b>INTRODUCTION .....</b>	<b>01-05</b>
Background .....	01
Objective.....	02
Scope .....	03-04
Definitions .....	05
<b>RECOGNITION .....</b>	<b>06-08</b>
<b>MEASUREMENT SUBSEQUENT TO INITIAL RECOGNITION.....</b>	<b>09-13</b>
<b>DERECOGNITION.....</b>	<b>14-18</b>
<b>PRESENTATIO .....</b>	<b>19-21</b>
<b>DISCLOSURE .....</b>	<b>22-23</b>
<b>TRANSITIONAL PROVISIONS .....</b>	<b>24</b>
<b>EFFECTIVE DATE .....</b>	<b>25</b>

**STATEMENT OF FINANCIAL ACCOUNTING POLICY NUMBER 04****Gold**

*Statement of Financial Accounting Policy (PKAK) 04 consists of paragraphs 1-25. 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 04 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 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. Gold is part of Bank Indonesia's foreign reserves and is intended to, among other things, serve as a liquidity buffer to support the implementation of monetary policy and / or the fulfilment of obligations denominated in foreign currency. Management of Bank Indonesia's gold stocks differs from the management of other foreign exchange reserves. The management of other foreign exchange reserves is relatively more dynamic than is the case with gold management. The holding of gold represents a form of diversification of foreign exchange reserves that can help reduce the risk of volatility. In certain circumstances, Bank Indonesia may decide to release part of its gold reserves so as to support monetary policy or meet extraordinary liquidity needs. Therefore, the ultimate objective of Bank Indonesia's holding of gold is achieved when the gold is derecognised by Bank Indonesia.

**Objective**

02. The objective of this Statement is intended to govern accounting for gold reserves.

**Scope**

**03. This Statement shall be applied in accounting for gold reserves.**

1           04. This Statement does not apply to accounting for financial  
2 instruments that are denominated in gold exchange rate units. PKAK 06:  
3 Policy-related Financial Instrument is applied to accounting for financial  
4 instruments that are denominated in gold exchange rate units.

5  
6 **Definitions**

7  
8           **05. The following terms are used in this Statement:**

9  
10 ***Gold is a precious metal gold that is held by Bank Indonesia. Gold may***  
11 ***take the form of gold bar and contractual rights to gold bar.***

12  
13 ***A contractual right to gold bar is a claim to a physical amount of gold***  
14 ***bar to another party in respect of the placement of that gold bar.***

15  
16 Contractual rights to gold bar may take the form of demand deposits on gold,  
17 gold deposits, and gold-based securities that are acquired and settled using  
18 gold bar.

19  
20 ***Financial instruments denominated in gold exchange rate units are***  
21 ***financial instruments or other contracts whose value changes as a***  
22 ***result of changes in the fair value of gold and does not require***  
23 ***placement and / or settlement in the form of gold bar.***

24  
25 ***Bank Indonesia mid exchange rate is the midpoint between Bank***  
26 ***Indonesia buying and selling rates.***

27  
28 ***Fair value is the price that would be received to sell an asset or paid***  
29 ***to transfer a liability in an orderly transaction between market***  
30 ***participants at the measurement date.***

31  
32 ***Revaluation reserves are the cumulative changes in the fair value of***  
33 ***asset and liabilities of Bank Indonesia or the financial impact of Bank***  
34 ***Indonesia unique transactions where such transactions have yet to***  
35 ***achieve their ultimate objective.***

36  
37 ***Gold revaluation reserves are the cumulative change in the fair value***  
38 ***of gold.***

1 **RECOGNITION**

2  
3 **06. Gold bar acquired by purchase is recognised at acquisition**  
4 **cost. If gold bar is purchased by using foreign currency, the cost of the**  
5 **gold bar acquisition is converted into Rupiah using Bank Indonesia**  
6 **mid exchange rate.**

7  
8 **07. Gold bar acquired through the settlement of contractual**  
9 **rights to gold bar is recognised at fair value when received, which is**  
10 **calculated in Rupiah using Bank Indonesia mid exchange rate.**

11  
12 **08. Contractual rights to gold bar are recognised at the fair**  
13 **value of the gold bar, which is calculated in Rupiah using Bank**  
14 **Indonesia mid exchange rate.**

15  
16 **MEASUREMENT SUBSEQUENT TO INITIAL RECOGNITION**

17  
18 **09. At the end of each reporting period, the gold reserves**  
19 **balance is measured based on fair value, which is calculated in**  
20 **Rupiah using Bank Indonesia mid exchange rate at the end of the**  
21 **reporting period. The difference arising between the previous carrying**  
22 **amount and the amount that results from the translation of the**  
23 **balance is recognised as the gold revaluation reserves.**

24  
25 **10. If on the reporting date, Bank Indonesia obtains objective**  
26 **evidence that the recoverability of gold placed at other parties is**  
27 **doubtful, then the gold balance shall be reduced by establishing a**  
28 **provision equal to the difference between the carrying amount and the**  
29 **estimated recoverable value of the gold. The gold revaluation reserves**  
30 **arising from the estimated amount of non-recoverable gold shall be**  
31 **eliminated. The total provision for the gold balance and the**  
32 **elimination of gold revaluation reserves are recognised as a net loss in**  
33 **the statement of surplus deficit.**

34  
35 11. When doubts arise as to the recoverability of gold, then doubts  
36 also arise as to whether the purpose of holding the gold can be achieved.  
37 Consequently, the related gold revaluation reserves are eliminated.

38  
39 **12. If on the reporting date Bank Indonesia obtains objective**  
40 **evidence that the doubts over the recovery of gold in a prior period no**  
41 **longer exist or have diminished, then the carrying amount is increased**  
42 **by the amount of gold that can be recovered by eliminating the**

1 ***provision that was previously made. the resulting gain that is***  
2 ***recorded in the statement of surplus deficit must not exceed the net***  
3 ***loss calculated in accordance with paragraph 10. The difference***  
4 ***between the increase in carrying amount of gold and the gain is***  
5 ***recognised as gold revaluation reserves.***  
6

7 13. Objective evidence that gold may not be recovered includes the  
8 occurrence of the following adverse events:

- 9 (a) significant financial difficulties are experienced by the counter party  
10 holding gold placement from Bank Indonesia;  
11 (b) breach of contract, such as a default or delinquency in returning gold  
12 bar or paying interest;  
13 (c) Bank Indonesia, for economic or legal reasons related to financial  
14 difficulties being experienced by the counter party holding a gold  
15 placement from Bank Indonesia, provides concessions that would not  
16 possibly be granted if the party was not experiencing such difficulties;  
17 (d) it is becoming probable that the party holding the gold placement from  
18 Bank Indonesia will be declared bankrupt or undergo a financial  
19 reorganisation;  
20 (e) the disappearance of an active market for gold-based securities due to  
21 financial difficulties facing the issuer; or  
22 (f) the observable data indicates a measurable decrease in the estimated  
23 amount of gold that is recoverable, although the decrease cannot as  
24 yet be verified, such as national or local conditions that could affect  
25 the recovery of gold bar placed by Bank Indonesia (e.g., an economic  
26 crisis, civil emergency or war).  
27

## 28 **DERECOGNITION**

29

30 ***14. Gold bar is derecognised upon release. Contractual rights to***  
31 ***gold bar are derecognised upon settlement or when future economic***  
32 ***benefits of ownership or settlement are no longer anticipated.***  
33

34 15. The release of gold bar can be carried out in various ways, such  
35 as through sale, its placement under contractual rights, or by way of  
36 exchange. The settlement of contractual rights to gold bar can be carried out  
37 in various ways, such as through sale, exchange, or expiry.  
38

39 ***16. At the time of sale of gold, the difference between carrying***  
40 ***amount and selling price is recognised as a gain or loss of current***  
41 ***period.***  
42



1           **17. At the time when gold is exchanged for another non-**  
2 **monetary asset, the difference between carrying value of the gold and**  
3 **fair value of the non-monetary asset that is acquired is recognised as**  
4 **a gain or loss of current period. If the non-monetary assets acquired**  
5 **cannot be measured at fair value, its acquisition cost can be measured**  
6 **at the fair value of the gold that is delivered.**

7  
8           **18. Upon the derecognition of gold, the gold revaluation reserves**  
9 **are recognised as a gain or loss of current period, except:**

- 10 **(a) at the time when gold bar is placed under contractual rights; or**  
11 **(b) upon the settlement of contractual rights to gold bar through the**  
12 **return of the gold bar.**

### 13 14 **PRESENTATION**

15  
16           **19. Gold is presented in the statement of financial position as**  
17 **net after less any allowance of impairment.**

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

21  
22           **21. Gold revaluation reserve that has been derecognised is**  
23 **presented as gains or losses in the statement of surplus deficit.**

### 24 25 **DISCLOSURE**

26  
27           **22. The following matters are disclosed in the notes to financial**  
28 **statements:**

- 29 **(a) the accounting policy for gold bar measurement and contractual**  
30 **rights over gold bar;**  
31 **(b) explanations on increases or decreases in the gold balance;**  
32 **(c) reconciliation of the amount of gold revaluation reserves at the**  
33 **beginning and the end of the period; and**  
34 **(d) a description of the related objective evidence casting doubt on**  
35 **the recovery of gold, as discussed in paragraphs 10 and 12.**

36  
37           **23. Reconciliation of gold revaluation reserves, as referred to in**  
38 **paragraph 22, is disclosed by indicating:**

- 39 **(a) the increase or decrease in the gold revaluation reserve; and**  
40 **(b) the reductions due to the transfer of a gold revaluation reserves**  
41 **at the time that a transaction involving gold has achieved its**  
42 **ultimate objective.**

1

**2 TRANSITIONAL PROVISIONS**

3

4 24. This Statement shall apply prospectively, and also shall apply to  
5 gold reserves balance existing on the effective date.

6

**7 EFFECTIVE DATE**

8

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

**Bank Indonesia Financial Accounting Policies Committee**

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