

**Government Accounting Standards**

Paragraph 62 of Government Accounting Standard No. 02 (on the Statement of Budget Realization), provides that:

"Transactions in foreign currencies should be recorded in rupiah by converting the amount of foreign currency using the Bank Indonesia (BI) mid-rate prevailing on the transaction date."

**Interpretation**

Indonesia currently has liabilities, and conducts transactions, denominated in various foreign currencies, particularly the United States dollar (USD). Liabilities/transactions denominated in USD terms will be paid in USD using available USD funds and/or by purchasing USD should available USD funds be insufficient. Liabilities denominated in foreign currencies other than USD will be paid based on purchases of the currency concerned, using either rupiah or USD, if the government does not have sufficient available funds denominated in that currency.

In this regard, a number of foreign-currency transaction variants may arise so that the following interpretation is required.

1. Should there be sufficient foreign currency funds available to cover the cost of the transaction, the said transaction will be recorded by converted the value of the transaction into rupiah using the Bank Indonesia mid-rate per the date of the transaction.

As an illustration, on 5 July 2008, the government repaid a debt of USD2,000,000 to the Asian Development Bank (ADB) using funds taking from the government's USD account. The USD selling rate as per the transaction date was Rp9,300/USD, and the buying rate USD9,200/USD, giving a mid-rate of Rp9,250/USD. Thus, for the purposes of financial accounting, this transaction is recorded as USD2 million multiplied by the Bank Indonesia mid-rate, giving a rupiah equivalent of Rp18,500,000,000 (USD 2 million x Rp9,250/USD).

2. Should sufficient foreign-currency funds not be available to cover the cost of the transaction, and foreign currency has to be purchased using rupiah, the transaction will be recorded in rupiah terms based on the exchange rate used for the transaction, that is, the amount of rupiah used to purchase the required foreign currency.

As an example, on 5 July 2008, the government intended to repay a debt of JPY2,000,000,000 to the Asian Development Bank. As insufficient JPY funds were available to cover this, the Government had to purchase JPY using rupiah. The cost of purchasing the yen amounted to Rp160,000,000,000 based on a transaction exchange rate of Rp80/JPY. Thus, the amount that will be recorded

in the government accounts will be Rp160,000,000,000 (JPY2,000,000,000 x Rp80/JPY).

3. Should there be insufficient transaction-currency funds to cover the cost of the transaction, and other foreign currency funds are used to purchase the required amount of the transaction currency, then:
  - a. The purchase of transaction currency using another foreign currency shall be recorded using the rate of exchange applied.
  - b. The value of the transaction currency shall then be converted to rupiah using the Bank Indonesia mid-exchange rate prevailing as per the date of the transaction.

As an illustration, on 5 July 2008 the government intended to repay a debt of KRW2,000,000,000 to the Korean government. USD funds were provided for the purpose, and were converted to KRW at an exchange rate of 1 USD = 930 KRW. This the government had to pay USD2,150,538 to obtain KRW2,000,000,000 (KRW930/USD). On the same day, USD/rupiah selling rate was Rp9,300/USD, and the buying rate Rp9,200/USD, giving a mid-rate of Rp9,250/USD.

The above Interpretation also applies to receipts/disbursements, as described below:

- Receipts/disbursements denominated in foreign currency that are used directly to make payments denominated in foreign currency shall be recorded in rupiah using the Bank Indonesia mid-rate.
- Receipts/disbursements denominated in foreign currency that are used directly to make payments denominated in rupiah shall be recorded in rupiah using the Bank Indonesia mid-rate, or the mid-rate of the bank involved.
- Receipts/disbursements denominated in foreign currency that are in accordance with the relevant foreign-currency denominated commitment paid into the State Treasury account shall be recorded using the Bank Indonesia mid-rate, or the mid-rate of the bank involved.
- Receipts/disbursements denominated in foreign currency that are not in accordance with the relevant foreign-currency denominated commitment paid into the State Treasury account shall be recorded using the transaction exchange rate.

This Interpretation must be read and applied having regard to paragraph 62 of Government Accounting Standard No. 02 (on the Statement of Budget Realization).



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