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Simple journal comparison of statement of government accounting standards 09 (psap 09) concerning accounting liabilities with statement no. 07 of the governmental accounting standards Boards (GASB 03) on Advance Refundings Resulting In Defeasance of debt

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Abstract
This study aims to compare the Indonesian Government Accounting Standards Statement 09 (PSAP 09) with Statement No. 07 Government Accounting Standards Board (GASB 07)Advance refundings Resulting in defeasance of Debt.
Starting from Recognition, Determination of carrying amount, Amortization, and borrowing costs charged to the obligation. In addition, it is also related to the write-off of debt, the results of this discussion show that in the process of implementing the accounting for government obligations, in general it is in accordance with the laws and regulations, but in the disclosure there are still things that have not been explained in detail.

Keywords: Government Accounting Standards, Contingent Liabilities, Liabilities

1. Introduction

Obligations generally arise because of the consequences of carrying out duties or responsibilities to act in the past. In the context of government, obligations arise, among others, due to the use of loan funding sources from the public, financial institutions, other government entities, or international institutions. Government obligations can also occur due to engagements with employees who work for the government, obligations to the wider community, namely obligations for benefits, compensation, compensation, excess tax payments from taxpayers, allocation / reallocation of income to other entities, or obligations with other service providers.

Obligations to the wider community, namely obligations for benefits, compensation, compensation, allocation /reallocation of income to other entities, or obligations with other service providers. Government obligations may also arise from the procurement of goods and services from third parties that have not been paid by the government at the end of the fiscal year.

In addition to the above obligations, there are also obligations whose amount and timing of payment are uncertain, which are called contingent liabilities. A contingent liability is a potential obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more future events that are not wholly within the control of an entity. For example, the Government provides guarantees for public savings in banking institutions, this information is disclosed in the notes to the financial statements.

In Indonesia, liability accounting is carried out by the Central Government and Regional Governments, in terms of accounting the implementation of liability accounting must be recorded and reported in the financial statements of the Central Government and/or the financial statements of the Regional Government. Government Financial Statements are prepared based on laws, government regulations, and standards set by KSAP or the Government Accounting Standards committee, which compiles the rules for reporting and preparing financial statements. Accounting for obligations carried out and carried out by the Central Government and Local Governments must comply with the Statement of Government Accounting Standards No. 09 (PSAP 09). PSAP 09 itself has been regulated as regulated in Government Regulation of the Republic of Indonesia Number 24 of 2005 dated June 13, 2005 in Appendix XI concerning Liabilitis Accounting. PSAP 09 regulates the Purpose and Scope of Obligations, Definition, General, Classification of Liabilities, Recognition of Liabilities, Measurement of Liabilities, Settlement of Obligations before maturity, Arrears, Debt Restructuring, Costs related to Government Debt, Presentation and Disclosure and Effective Date of Application Liability accounting. Obligations carried out and carried out by the Central Government and Local Governments must comply with Government Accounting Standards Statement No. 09 (PSAP 09).

PSAP 09 itself has been regulated as regulated in Government Regulation of the Republic of Indonesia Number 24 of 2005 dated June 13, 2005 in Appendix XI concerning Liability Accounting. PSAP 09 regulates the Objectives and Scope of Obligations, Definition, General, Classification of Obligations, Recognition of Liabilities, Measurement of Liabilities,

Whereas in the United States, accounting for refunds of advances resulting in write-off of debts recorded in the general long-term debt account group has been implemented long before Indonesia issued PSAP 09. Similar to Indonesia, the United States also has its government accounting standards committee. If in Indonesia there is KSAP, in the US there are two levels of Government Accounting Standards prepared by the SAP Board independent of the private sector. The Federal Government Accounting Standards are prepared by the SAP Board called the Federal Accounting Standards Advisory Board (FASAB), while the Governmental Accounting Standards for each US state are equivalent to local governments in Indonesia compiled by the Governmental Accounting Standards Board (GASB). In the application of state government accounting, it is regulated in the GASB.

In its application, government accounting standards have their own goals and implementation, tailored to the needs and short-term and long-term goals of each country. Therefore, in this journal, the researcher wants to see how the explanation between PSAP 09 which is applied in the Central Government and Local Government is compared to the government accounting standards applied by state governments in the United States which are regulated in GASB 07. The researcher wants to explain the liability accounting applied. in PSAP 09 and Advance refundings Resulting in defeasance of Debt in GASB 07, then whether in the definition and rules there are similarities and differences between the two countries in applying government accounting in this case liability accounting.

2. Literature Review

2.1 Definition of Liability Accounting

Government liability accounting is regulated in government regulation (PP) number 24 of 2005 in the government accounting standard statement No. 09 (PSAP) regarding liability accounting. Liabilities are debts that arise from past events, the settlement of which results in an outflow of government economic resources. In the context of government, obligations arise partly because of the use of financing sources derived from loans. These loans can come from the public, financial institutions, other governments, or international institutions. Government obligations also occur due to engagements with employees who work for the government, obligations to the wider community, namely obligations for benefits, compensation, compensation, and allocation/reallocation of income to other entities, or obligations with other service providers.

In addition to the above obligations, there are also obligations whose amount and timing of payment are uncertain, which are called contingent liabilities. A contingent liability is a potential obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more future events that are not wholly within the control of an entity. For example, the Government provides guarantees for public savings in banking institutions, this information is disclosed in the notes to the financial statements.

To understand liability accounting, it is necessary to know the following definitions.

Third Party Calculations PFK, hereinafter referred to as PFK, is the government's debt to other parties due to the government's position as a tax cutter or other levies, such as Income Tax (PPh), Value Added Tax (PPN), Askes, Taspen, and Taperum contributions.

Premium is the amount of the excess of the present value of the obligation (present value) and the maturity value of the obligation (maturity value) because the nominal interest rate is higher than the effective interest rate.

Debt Restructuring is an agreement between a creditor and a debtor to modify the terms of the debt agreement with or without a reduction in the amount owed, in the form of

Refinancing namely replacing old debts including arrears with new debts; or

Rescheduling or modifying debt terms namely changing the terms and conditions of the existing contract agreement. Debt scheduling can be in the form of changing the payment schedule, adding a grace period, or rescheduling the principal and interest payments that are due and/or in arrears.

Government debt securities are securities in the form of debt acknowledgments by the government that can be traded and have a maturity value or redemption value at the time of issuance, for example Government Bonds (SUN).

Letter of the state Treasury are Government Securities with maturities of up to 12 (twelve) months with interest payments at a discount.

Government Securities are securities in the form of debt acknowledgments in rupiah and foreign currencies which are guaranteed payment of principal and interest by the Republic of Indonesia, in accordance with their validity period.

However, in the United States (GASB 07) it is required to consider accounting in the type of government funds for the return of advances that result in the cancellation of debts reported in GLTDAG. In addition, some people have raised questions about the specific types of information that must be included for all refund transactions to meet the disclosure requirements of the section.

In an advance refunding transaction, new debt is issued to provide monies to payinterest on old, outstanding debt as it becomes due, and to pay the principal on the old debt either as it matures or at an earlier call date. An advance refunding occurs before the maturity or call date of the old debt, and the proceeds of the new debt are invested until the maturity or call date of the old debt. Most advance refundings result in defeasance of debt.

Defeasance of debt can be either legal or in substance. A legal defeasance occurs when debt is legally satisfied based on certain provisions in the debt instrument even though the debt is not actually paid. An in-substance defeasance occurs when debt is considered defeased for accounting and financial reporting purposes, as discussed below, even though a legal defeasance has not occurred. When debt is defeased, it is no longer reported as a liability on the face of the balance sheet; only the new debt, if any, is reported as a liability.

Both in Indonesia and in America there are committees that regulate this matter, in Indonesia the Statement of Governmental Accounting Standards 09 (PSAP 09) is prepared by the Governmental Accounting Standards Committee, while in the United States the state government financial statements relating to Advance refundings resulting in defeasance of Debt compiled based on the standards issued by GASB 07.

2.2 Classification of Liabilities PSAP 09

Recording and accounting reporting Obligations of the government in Indonesia, both those carried out by the central government and local governments can be classified into 2, namely short term liabilities (short tram Liabilities) and long term liabilities (Long term liabilities).

1. Short Term Liabilities

Short-term liabilities are obligations that are expected to be paid within 12 (twelve) months after the reporting date. Some short-term liabilities, such as government transfers payable or payables to employees, are a part that will absorb current assets in the next reporting year. Other short term liabilities. For example, interest on loans, short-term debt from third parties, debt from Third Party Calculations (PFK), and the current portion of long-term debt.

2. Long-term Liabilities

Long-term liabilities are liabilities with maturities of more than 12 months. If at the end of the accounting period, the government has long-term debt, the government must reclassify these obligations into short-term liabilities and long-term liabilities.

In the event of a liquidity problem, the government can restructure or refinance its maturing debts. If this is the case, the reporting entity may include obligations maturing within 12 months after the reporting date into the classification of long-term liabilities, if.

1. The original term is for a period of more than 12 (twelve) months; and
2. The entity intends to refinance the obligation on a long-term basis; and
3. This intention is supported by the existence of a refinancing agreement, or a rescheduling of payments, which is completed before the financial statements are approved.

The amount of liabilities that were removed from short-term liabilities into long-term liabilities as mentioned above is disclosed in the Notes to the Financial Statements.

Some obligations that are due to be repaid in the following year may be expected to be refinanced or rolled over by the reporting entity. Such liabilities are considered to be part of long-term financing and are classified as long-term liabilities. However, in situations where the refinancing policy is not in the authority of the entity, then this obligation is classified as a short-term item, unless the completion of the refinancing agreement before the approval of the financial statements proves that the substance of the obligation at the reporting date is long-term.

Some loan agreements include certain conditions (covenants) that cause long-term obligations to become short-term obligations (payable on demand) if certain conditions related to the borrower's financial position are violated. In such circumstances, a liability may be classified as a long-term liability only if.

1. The lender has agreed not to ask for repayment as a consequence of the violation, and
2. There is a guarantee that there will be no further violations within 12 (twelve) months after the reporting date.

For example, the local government of XYZ city borrowed money from foreign institutions, amounting to Rp 500 billion for the regional electricity development program, provided that this loan could not be used to finance other programs. If this loan cannot be used for the program, it must be returned. This loan was drawn down in 2003. This loan will be repaid in installments over 20 years starting in 2008. Until 2006 it turned out that the program had stalled, and could not be continued. Therefore, these loans should be presented as short-term liabilities.

2.3 Classification of Investments According to GASB 07

Debt is considered defeased in substance for accounting and financial reporting purposes if the debtor irrevocably places cash or other assets with an escrow agent in a trust to be used solely for satisfying scheduled payments of both interest and principal of the defeased debt, and the possibility that the debtor will be required to make future payments on that debt is remote. The trust is restricted to owning only monetary assets that are essentially risk-free as to the amount, timing, and collection of interest and principal. The monetary assets should be denominated in the currency in which the debt is payable. For debt denominated in US dollars, essentially risk-free monetary assets are limited to.

1. Direct obligations of the US government (including state and local government securities [SLGS] that the US Treasury issues specifically to provide state and local governments with required cash flows at yields that do not exceed Internal Revenue Service [IRS] arbitrage limits).
2. Bonds guaranteed by the US government.
3. Securities backed by US government obligations as collateral and for which interest and principal payments on the collateral generally flow immediately through to the security holder.

In addition, the monetary assets held by the trust must provide cash flows (from interest and maturity of those assets) that approximately coincide, as to timing and amount, with the scheduled interest and principal payments on the defeased debt. However, some securities described above can be paid before their scheduled maturity and so are not essentially risk-free as to the timing of the collection of interest and principal.

2.4 Recognition of Liability Accounting According to PSAP 09

A government obligation is recognized when it is probable that an outflow of economic resources will be required to settle an existing obligation, and the obligation can be measured reliably.

Preconditions of past events are very important in recognizing a liability. The event has financial consequences for an entity. The event in question may be an internal event within the entity such as an obligation to employees of a government organization due to the government not paying employee benefits, or it may be an external event involving interactions between an entity and its environment such as transactions with other entities.

Liabilities are recognized when borrowed funds are received and/or when liabilities arise. Liability can arise from.

1. Exchange transactions;
2. Non-exchange transactions, where the government has not fulfilled its obligations until the end of the accounting period;
3. Government-related events; and
4. Government-acknowledged events.

A transaction by exchange arises when each party to the transaction sacrifices and receives some value in exchange. There are two reciprocal flows of resources or promises to provide resources. In a transaction with an exchange, an obligation is recognized when one party receives goods or services in exchange for the government promising to provide money or other resources in the future.

2.5 Measurement Liability accounting according to PSAP 09

Liabilities are recorded at face value. Liabilities denominated in foreign currencies are translated and stated in rupiah. Foreign currency translation uses the central bank's middle rate at the balance sheet date.

The nominal value of the obligation reflects the value of the government's obligation at the first time the transaction takes place as the value stated on the government debt sheet. Subsequent economic flows, such as payment transactions, changes in valuation due to changes in foreign exchange rates, and other changes other than changes in market value, are calculated by adjusting the carrying amount of the liability.

The use of nominal value in assessing liabilities follows the characteristics of each item.

Account Payable

For goods/services that have been received by the government and have not been paid for, including goods in transit to which it has become entitled, the government recognizes the obligation as debt on the balance sheet.

If in the amount of liabilities there are debts caused by transactions between government units, the presentation must be separated from obligations to non-governmental units.

Accrued Interest

Accrued Interest on government loans are recorded at the interest costs incurred and not yet paid. The interest referred to can come from government debt both from within the country and abroad. Unpaid interest on government loans must be recognized at the end of each reporting period as part of the current liabilities.

The measurement and presentation of interest payable above also applies to government securities issued by the central government in the form of Government Securities (SUN) and those issued by regional governments (provinces, cities, and districts) in the same form and substance as SUN.

Third Party Calculation Debt (PFK)

At the end of the reporting period, the balance of levies/deductions for PFK that has not been deposited to the entitled parties must be presented as debt in the balance sheet for the amount that still has to be paid.

The amount of PFK levies/deductions made by the government must be submitted to other parties in an amount equal to the amount collected/deducted. At the end of the reporting period, there is usually a balance of levies/deductions that have not been deposited to other parties. The total balance of such levies/deductions must be presented in the balance sheet for the amount that still has to be deposited as PFK payables.

Current Part of Long-Term Debt

The value included in the financial statements for the current portion of long-term debt is the amount that will mature within 12 (twelve) months after the reporting date. For example, a bond loan that will mature in the next year amounting to Rp. 1 billion is presented at par.

Other Current Liabilities

Other current liabilities are current liabilities that are not included in the short-term debt category above. Included in these other current liabilities are costs that must be paid at the time the financial statements are prepared. The measurement for each item is adjusted to the characteristics of each of these posts, for example, salary payables to employees are assessed based on the amount of salary accrued for services that have been rendered by the employee.

Other things that must be recognized and measured in the government's financial statements related to government obligations, among others.

1. Accounting policies to determine the value of investments;
2. Type of Investment, Fixed and Non-Fixed Investment;
3. Changes in market prices, both short-term investments and long-term investments that have market prices
4. Significant decline in investment value and the causes of the decline;
5. Investments valued at fair value and the reasons for their application;
6. Reconciliation of the initial and final investment value of the investment using the equity method;
7. Investments that are presented with a value of nil and part of the accumulated losses that exceed the value of the investment;
8. Liabilities arising from the share of accumulated losses that exceed the investment value in the event that the government has legal responsibility;
9. Changes in the classification of investment posts;
10. Changes in the portion of ownership or significant influence that results in changes in accounting methods.

2.6 Measurement of Liability under GASB 07

The measurement focus/basis of accounting for governmental funds emphasizes the flow of financial resources into and out of those funds. In an advance refunding, there is an inflow of financial resources caused by issuance of new debt and an outflow of financial resources caused by payment to an escrow agent. In governmental financial reporting, long-term debt is not normally recorded in governmental funds but in the GLTDAG; changes in the amount of debt outstanding are recorded in the GLTDAG rather than on the balance sheet of a fund. For these reasons, the Board does not believe the outflows of financial resources to an escrow agent in an advance refunding should be segregated into two components—retirement of debt principal and gain or loss—as is required for proprietary funds in accordance with the APB.

Several respondents expressed general agreement with the ED but stated that the ED created an inconsistency in the accounting treatment of similar transactions involving nonGLTDAG debt. Some of these respondents expressed the opinion that the accounting gain or loss required to be recognized by Opinion 26, and applicable to non-GLTDAG debt, does not reflect the economic substance of the transaction. They asked the Board to reconsider the conclusions reached in that Opinion. The Board decided not to address these issues at this time. However, the Board notes that the disclosures required of both governmental and nongovernmental fund types establish consistent disclosures about the economic effect of the transaction regardless of where the debt is recorded.

2.7 Settlement of obligations before maturity

For government debt securities that are settled before maturity due to a call feature by the issuer of the securities or because they meet the requirements for settlement by the holder's request, the difference between the reacquisition price and the net carrying amount must be presented in the Operational Report and disclosed in the Financial Statements. Notes to the Financial Statements as part of the related liability items.

If the reacquisition price is the same as the carrying value (carrying value), then settlement of the obligation before maturity is considered as a normal debt settlement, by adjusting the amount of the liability and related assets.
If the reacquisition price is not the same as the carrying value, in addition to adjusting the amount of related liabilities and assets, the amount of the difference is also presented in the Operational Report under the Surplus/Deficit item from Non-Operational Activities and disclosed in the Notes to Financial Statements.

2.8 Arrears of Liability According to PSAP 09
Arrears are defined as the amount of bills that are past due, but the government is unable to pay the principal and/or interest on schedule. Some types of government debt may have maturities according to a schedule on a single date or a series of dates when the debtor is required to make payments to creditors. The amount of arrears on government loans must be presented in the form of an aging schedule for creditors in the notes to financial statements as part of the disclosure of obligations. Accounting practice does not usually separate the amount of arrears from the amount of the related debt in the face of the financial statements. However, information on government arrears is one of the information that attracts the attention of financial statement readers as material for policy analysis and solvency of an entity

2.9 Debt Restructuring According to PSAP 09
Debt Restructuring is an agreement between a creditor and a debtor to modify the terms of the debt agreement with or without a reduction in the amount of debt. Restructuring information must be disclosed to CaLK as part of the disclosure of related liability items.
Restructuring can take the form of:
1. Refinancing, namely replacing old debts including arrears with new debts; or
2. Rescheduling or modifying debt terms, namely changing the terms and conditions of the existing contract agreement. Debt scheduling can take the form of:
3. Payment schedule changes,
4. Added grace period, or
5. Reschedule the principal and interest payments that are due and/or in arrears.

2.10 Debt Write-off According to PSAP 09
Debt write-off is the cancellation of claims by the creditor to the debtor, either in part or in whole of the debtor's debt in the form of a formal agreement between the two. Debt write-offs may be settled by the debtor to the creditor through the delivery of cash or non-cash assets with a debt value below the carrying amount.

2.11 Costs Related to Government Debt According to PSAP 09
The costs associated with government debt are interest costs and other costs incurred in relation to borrowing funds. These costs include:
1. Interest and provision for the use of borrowed funds, both short-term and long-term loans;
2. Commitment fee for loan funds that have not been withdrawn;
3. Amortization of the discount or premium associated with the loan,
4. Amortization of capitalization costs associated with obtaining loans such as consultant fees, legal experts, and so on
5. Differences in exchange rates on foreign currency loans to the extent that they are treated as adjustments to interest costs.

2.12 Presentation and Disclosure of Obligations under PSAP 09
Government debt is disclosed in detail in the form of a debt schedule list to provide users with better information.
The information that must be presented in the Notes to the Financial Statements is.
1. Total balance of short-term and long-term liabilities classified by lender;
2. Total balance of liabilities in the form of government debt based on the type of government debt securities and their maturity;
3. Interest on the loan in the current period and the prevailing interest rate;
4. Consequences of settlement of obligations before maturity;
5. The debt restructuring agreement includes:
   1. Loan reduction;
   2. Modification of debt terms;
   3. Reduction of loan interest rates;
   4. Delay in loan maturity;
   5. Reduction of loan maturity value; and
   6. Reduction of the amount of interest payable up to the reporting period.
6. The amount of loan arrears is presented in the form of a debt age list based on creditors
7. Borrowing fee:
   1. Loan fee treatment;
   2. The amount of borrowing costs capitalized in the relevant period; and
   3. Capitalization rate used.

2.13 Disclosure of refunds under GASB 07
Regardless of where the debt is reported, all governmental entities that defease debt through an advance refunding should provide a general description of the transaction in the notes to financial statements in the year of the refunding. At a minimum, the disclosures should include (a) the difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the refunding and (b) the economic gain or loss resulting from the transaction.
a) When measuring the difference between the two cash flows, additional cash used to complete the refunding paid from resources other than proceeds of the new debt (for example, for issuance costs or payments to the escrow agent) should be added to the new debt cash flows. Accrued interest received at the bond issuance date should be excluded from the new debt cash flows.
b) Economic gain or loss is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate and adjusted for additional cash paid, as in subparagraph a, above.

The effective interest rate is the rate that, when used to discount the debt service requirements on the new debt, produces a present value equal to the proceeds of the new debt (including accrued interest) net of any premiums or discounts and any underwriting spread and issuance costs that are not recoverable 7 through escrow account earnings. Issuance costs include all costs incurred to issue the bonds, including but not limited to insurance costs (net of rebates from the old debt, if any), financing costs (such as rating agency fees), and other related costs (such as printing, legal, administrative, and trustee expenses).

Disclosures should generally be made by fund type and account group. However, entities are not included from making additional or separate disclosures if aggregation by fund type may be misleading, for example, if a significant loss by one component unit or fund is offset by aggregate gains in other component units or funds.

In all periods following an advance refunding for which debt defeased in substance remains outstanding, the amount of that debt, if any, outstanding at period-end should be disclosed. These disclosures should also be made by fund type and account group.

3. Research Method

The object of this research is through the collection of previous literature on liability accounting. Based on what is explained by the literature review, this study tries to find out how the Indonesian Government Accounting Standard Statement 09 (PSAP 09) Comparison with Statement No. 07 United States Government Accounting Standards Board (GASB 07) on Accounting Obligations. The purpose of this paper is to show the reader what Liability accounting is (PASP 09). Previous literature was researched to complement this paper in ministry of finance journals and regulations.

4. Results and Discussion

From the discussion and literature study that has been carried out in this research, it was found that there are some similarities between PSAP 09 and GASB 07 which are applied in Indonesia and in the United States, including PSAP 09 and GASB 07 both were made and determined by committee A which acts as partner government in the application of government accounting standards in the investment sector. Then the next equation is to both write off debt based on recording in the group of long-term debt accounts, on short-term liability instruments, both Indonesia and the United States place their funds in liability instruments with maturities of 12 months or less.

Among these similarities there are also some significant differences between PSAP 09 and GASB 07, namely in determining the classification of the term of the obligation. In PSAP 09 it is clearly and unequivocally stipulates that: The obligation arises, among others, due to the use of loan funding sources from the public, financial institutions, other government entities, or international institutions. Government obligations can also occur due to engagements with employees who work for the government, obligations to the wider community, namely obligations for benefits, compensation, compensation, excess tax payments from taxpayers, allocation / reallocation of income to other entities, or obligations with other service providers. The GASB requires that short-term and long-term liabilities be reported. Long-term liabilities include rent, bonds payable, compensation absences, and pensions payable. Public universities must identify the portion of long-term liabilities and disclose in the records the beginning and end of the balance of long-term liabilities, along with adding and subtracting balances. Disclosure of private colleges is the same as disclosure for corporate entities.

PSAP 09 clearly stipulates discounting, however, in GABS it does not regulate counting pledges.

PSAP 09 clearly explains what things can change reporting and disclosure, in contrast to GASB 07 which does not provide more complete information regarding changes in reporting and disclosure.

5. Conclusion

Based on the discussion that has been described previously, it can be concluded that Government liability accounting is regulated in government regulation (PP) number 24 of 2005 in the government accounting standard statement No. 09 (PSAP) regarding liability accounting. Liabilities are debts that arise from past events, the settlement of which results in an outflow of government economic resources. In the context of government, obligations arise partly because of the use of financing sources derived from loans. These loans can come from the public, financial institutions, other governments, or international institutions. Government obligations also occur due to engagements with employees who work for the government, obligations to the wider community, namely obligations for benefits, compensation, compensation, and allocation/reallocation of income to other entities, or obligations with other service providers.

Under certain circumstanceshardt to identify a direct relationship between a particular loan and the acquisition of a particular asset and to determine that a particular loan would not have to exist if the acquisition of a particular asset had not occurred. For example, if there is a centralization of funding for more than one government activity/project. Difficulties can also occur when an entity uses several types of financing sources with different interest rates. In this case, it is difficult to determine the amount of borrowing costs that can be directly attributed, so professional judgment is needed to determine this.

If a loan is not specifically used for the acquisition of assets, the borrowing costs that must be capitalized to certain assets must be calculated based on the weighted average of the accumulated costs of all related assets during the reporting period.

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