



COPY

REGENT OF PEKALONGAN
CENTRAL JAVA PROVINCE

REGENT REGULATION OF PEKALONGAN
NUMBER 53 OF 2024

CONCERNING

ACCOUNTING POLICIES FOR INVESTMENT PROPERTY
OF THE REGIONAL GOVERNMENT

BY THE GRACE OF THE ONE ALMIGHTY GOD

THE REGENT OF PEKALONGAN,

Considering: a. that in order to support the realization of good governance, the financial system shall be administered in a professional, transparent, and accountable manner in accordance with the fundamental principles stipulated in the 1945 Constitution of the Republic of Indonesia;

b. that in order to enhance the quality of the implementation of accrual-based government accounting standards, it is necessary to establish Accounting Policies that serve as the basis for the preparation and presentation of Regional Government Financial Statements;

c. that to regulate financial reporting on investment property, it is necessary to stipulate provisions concerning the recognition, measurement, presentation, and disclosure of investment property;

d. that based on the considerations as referred to in letters a, b, and c, it is deemed necessary to enact a Regent Regulation concerning the Accounting Policy for Regional Government Investment Property.

In view of : 1. Article 18 paragraph (6) of the 1945 Constitution of the Republic of Indonesia;

2. Act Number 13 of 1950 concerning the Establishment of Regencies within the Province of Central Java (State Gazette of the Republic of Indonesia Year 1950 Number 42), as amended by Act Number 9 of 1965 concerning the Establishment of the Level II Region of Batang by amending Act

- Number 13 of 1950 concerning the Establishment of Regencies within the Province of Central Java (State Gazette of the Republic of Indonesia Year 1965 Number 52, Supplement to the State Gazette of the Republic of Indonesia Number 2757);
3. Act Number 23 of 2014 concerning Regional Government (State Gazette of the Republic of Indonesia Year 2014 Number 244, Supplement to the State Gazette of the Republic of Indonesia Number 5587), as amended several times, most recently by Act Number 6 of 2023 concerning the Stipulation of Government Regulation in Lieu of Act Number 2 of 2022 concerning Job Creation as an Act (State Gazette of the Republic of Indonesia Year 2023 Number 41, Supplement to the State Gazette of the Republic of Indonesia Number 6856);
 4. Government Regulation of the Republic of Indonesia Number 71 of 2010 concerning Government Accounting Standards (State Gazette of the Republic of Indonesia Year 2010 Number 123, Supplement to the State Gazette of the Republic of Indonesia Number 5165);

DECIDES:

To stipulate: REGULATION OF THE REGENT CONCERNING ACCOUNTING POLICIES FOR INVESTMENT PROPERTY OF THE REGIONAL GOVERNMENT.

CHAPTER I
GENERAL PROVISIONS

Article 1

The following definitions in this Regent Regulation apply:

1. Region shall mean the Regency of Pekalongan.
2. Regional Government shall mean the Regent as the element of Regional Government administration who leads the implementation of governmental affairs under the authority of the autonomous region.
3. Regent shall mean the Regent of Pekalongan.
4. Accounting shall mean the process of identifying, recording, measuring, classifying, summarizing financial transactions and events, presenting reports, and interpreting the results thereof.

5. Regional Government Accounting Policy shall mean the principles, bases, conventions, rules, and specific practices selected by the Regional Government as guidance in preparing and presenting the Regional Government's financial statements, in order to meet the needs of users of financial statements and to enhance comparability with the budget, between periods, and among entities.
6. Recognition shall mean the process of determining that the criteria for recording a transaction or event in accounting records have been met, thereby forming an integral part of the elements of assets, liabilities, equity, budget revenues, expenditures, financing, operational revenues, and expenses, as presented in the financial statements of the relevant Reporting Entity.
7. Measurement shall mean the process of determining the monetary value for recognizing and including each item in the financial statements.
8. Disclosure shall mean the presentation of financial statements that fully provide the information required by users.
9. Accounting Entity shall mean a governmental unit that utilizes budget and/or goods and is required to conduct accounting and prepare financial statements to be consolidated into the Reporting Entity.
10. Reporting Entity shall mean a governmental unit consisting of one or more Accounting Entities which, pursuant to statutory regulations, is required to submit accountability reports in the form of financial statements.
11. Assets shall mean economic resources controlled and/or owned by the Regional Government as a result of past events, from which future economic and/or social benefits are expected to be obtained, either by the Regional Government or by the public, and which can be measured in monetary terms, including non-financial resources required for the provision of public services as well as resources maintained for historical and cultural reasons.

12. Regional Property, hereinafter abbreviated as *BMD*, shall mean all goods purchased or acquired at the expense of the Regional Revenue and Expenditure Budget or obtained through other lawful means.
13. Investment Property shall mean property held to earn rental income or to increase the value of assets, or both, and not for use in governmental activities, public service utilization, production or provision of goods or services, or for administrative purposes, nor for sale and/or transfer in the context of public service delivery.

Article 2

This Regent Regulation shall serve as a guideline for the Regional Government in the implementation of the accrual-based Government Accounting System.

CHAPTER II ACCOUNTING POLICY FOR INVESTMENT PROPERTY

Article 3

- (1) The structure of the Regional Government's Accounting Policy for Investment Property shall consist of:
 - a. introduction;
 - b. definition;
 - c. Investment property;
 - d. Recognition;
 - e. Measurement;
 - f. Presentation of investment property;
 - g. Disclosure;
 - h. transfer of use;
 - i. disposal; and
 - j. transitional provisions.
- (2) The detailed description of the Regional Government's Accounting Policy for Investment Property as referred to in paragraph (1) shall be set forth in the Appendix, which constitutes an integral and inseparable part of this Regent Regulation.

Article 4

The Regional Government’s Accounting Policy for Investment Property as referred to in Article 3 shall apply to the Accounting Entities and Reporting Entities of the Regional Government.

CHAPTER III
CLOSING PROVISION

Article 5

This Regent Regulation shall come into force on the date of its promulgation.

In order that everyone may be aware of it, it is hereby ordered that this Regent Regulation be promulgated by placing it in the Regional Gazette of the Regency of Pekalongan.

Issued in Kajen
Dated July 18, 2024

REGENT OF PEKALONGAN,

(signed)

FADIA ARAFIQ

Promulgated in Kajen
Dated July 18, 2024

REGIONAL SECRETARY OF THE PEKALONGAN REGENCY

(Signed)

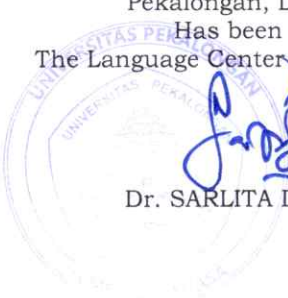
M. YULIAN AKBAR

REGIONAL GAZETTE OF PEKALONGAN REGENCY YEAR 2024 NUMBER 53

Pekalongan, December, 1 2025

Has been translated by
The Language Center of Pekalongan University


Dr. SARLITA D. MATRA, M.Pd



ANNEX TO TO REGULATION OF THE REGENT
OF PEKALONGAN NUMBER 53 OF
2024 CONCERNING ACCOUNTING
POLICIES FOR INVESTMENT
PROPERTY OF THE REGIONAL.

GOVERNMENT REGIONAL GOVERNMENT ACCOUNTING POLICY FOR
INVESTMENT PROPERTY

I. Introduction

A. Objective

The objective of this policy statement is to regulate the accounting treatment of investment property and the related disclosures.

B. Scope This Accounting Policy Statement shall be applied in the recognition, measurement, presentation, and disclosure of investment property in general purpose financial statements of Regional Government entities, excluding Regional-Owned Enterprises (*Badan Usaha Milik Daerah*).

This Accounting Policy shall not apply to:

1. Biological assets related to agricultural activities; and
2. mineral rights and mineral reserves such as oil, natural gas, and similar non-renewable natural resources.

II. Definitions of the terms used in this policy shall have the following meanings:

A. Carrying Amount shall mean the book value of an asset, calculated from the acquisition cost of the asset less accumulated depreciation.

B. Acquisition Cost shall mean the amount of cash or cash equivalents paid or payable, or the fair value of other consideration given or payable, to acquire an asset at the time of its acquisition or construction until the asset is in the condition and location necessary for it to be capable of operating as intended.

C. Cost method shall mean an accounting method that records the value of an investment based on its acquisition cost.

D. Fair value shall mean the exchange value of an asset or the settlement value of a liability between knowledgeable and willing parties in an arm's length transaction.

E. Investment Property shall mean property held to earn rental income or for capital appreciation, or both, and not for:

1. use in governmental activities, utilization by the public, production or provision of goods or services, or for administrative purposes; or

2. sale and/or transfer in the course of service delivery to the public
- F. Self-occupied property is property controlled (by the owner or by a lessee under a finance lease) for governmental activities, utilized by the public, in the production or provision of goods or services, or for administrative purposes.

III. Investment Property

- A. The Regional Government may hold Investment Property used to generate rental income and/or for capital appreciation under the following conditions:
1. The Regional Government manages a property portfolio on a commercial basis; or
 2. The Regional Government owns property for the purpose of leasing or obtaining capital appreciation, and utilizes the income derived therefrom to finance its activities.
- B. The Regional Government may hold tangible assets in the form of property with a useful life of more than 12 (twelve) months, intended for use in governmental activities or for public utilization. If the Regional Government manages such property assets to generate rental income and/or obtain capital appreciation, those assets shall be classified as Investment Property.
- C. Investment Property generates cash flows that are largely independent of other assets controlled by the Regional Government.
- D. The following are examples of Investment Property:
1. land controlled and/or owned for the long term with the purpose of obtaining an increase in value and not for sale and/or transfer in the context of providing services to the public or to other governmental entities in the short term;
 2. land controlled and/or owned but whose future use has not yet been determined. If the Regional Government has not determined whether the land will be used as self-occupied property or will be sold and/or transferred in the context of providing services to the public or to other governmental entities in the short term, such land shall be recognized as land held for value appreciation;

3. buildings owned by the Regional Government (or controlled by the Regional Government under a finance lease) that are leased to other parties under one or more operating leases;
 4. vacant buildings held and/or owned but available for lease to other parties under one or more operating leases;
 5. property under construction or development that will be used as Investment Property in the future.
- E. The following are examples of Assets that do not qualify as Investment Property and are therefore excluded from the scope of this statement:
1. property intended for sale and/or transfer as part of public service delivery, or property under construction or development for such sale and/or transfer, for example property acquired exclusively with the intention of being transferred in the near future or for development and subsequent transfer;
 2. property that is still in the process of being constructed or developed on behalf of a third party;
 3. self-occupied property, including (among others) property controlled for future use as self-occupied property, property held for future development and subsequent use as self-occupied property, and self-occupied property awaiting sale;
 4. property leased to another entity under a finance lease;
 5. property held in the context of social assistance that generates rental income below market rates, for example where the government owns housing or apartments provided for low-income communities at rents below market prices;
 6. property held for strategic purposes, which shall be accounted for under the Accounting Policy on Fixed Assets;
 7. property not primarily intended to generate rental income or capital appreciation but occasionally leased to other parties, such as property primarily used for government operations but incidentally rented out.

- F. In the event that the Regional Government holds Assets that are partially used to generate rental income or an increase in value, and partially used for governmental operational activities, the classification of such Assets shall be determined as follows:
1. if each part of the Asset can be sold separately, the Regional Government shall account for each part separately;
 2. if each part of the Asset cannot be sold separately, the Asset shall be classified as Investment Property only if the portion used for governmental operational activities is not significant. The following conditions do not meet the significance criteria for recognition as Investment Property:
 - a) the area used to generate rental income or an increase in value is less than seventy-five percent (75%), or the area used for governmental operational activities exceeds twenty-five percent (25%), for example, only one (1) floor is used to generate rental income out of two (2) floors of a building used for governmental operations; or
 - b) the intensity of Regional Government Assets (BMD) used to generate rental income from external parties is less than seventy-five percent (75%), or the intensity of Regional Government Assets (BMD) used for governmental operational activities exceeds twenty-five percent (25%), for example, an assembly hall that is rented out only on non-working days.
- G. The Regional Government shall treat an Asset as Investment Property if the additional service costs provided to property tenants are not significant in relation to the overall value of the agreement.
- H. For the purpose of consolidating the Regional Government's financial statements, Investment Property transactions occurring between a Reporting Entity and an Accounting Entity do not meet the definition of Investment Property, as the ownership of such Investment Property lies within a single economic entity. The lessor shall present the Asset as Investment Property if the leasing arrangement is conducted on a commercial basis; however, for the purpose of presenting consolidated financial statements, the Asset shall be presented as a Fixed Asset in accordance with the provisions stipulated in the Asset Accounting Policies.

- I. In the event that Investment Property is leased to another Regional Government, the portion of the Investment Property leased to such other Regional Government must be disclosed in the financial statements of both Reporting Entities.

IV. Recognition

- A. Investment Property shall be recognized as an Asset upon acquisition pursuant a cooperation contract/agreement, a Handover Minutes (BAST), or by virtue of a stipulation of the Regional Head/Regional Secretary. To qualify for recognition as Investment Property, an Asset must meet the following criteria:
 1. it is highly probable that future economic benefits will flow to the Regional Government from the Investment Property Asset; and
 2. the cost of acquisition or the fair value of the Investment Property can be measured reliably.
- B. In determining whether an Investment Property satisfies the first criterion of Recognition, the Regional Government shall assess the degree of certainty inherent of future economic benefits based on the evidence available at the time of initial Recognition.
- C. The second criterion of Recognition of Investment Property is usually satisfied by evidence of the acquisition of the Investment Property Asset. If an Investment Property is acquired not through purchase, its acquisition value shall be presented at fair value as of the acquisition date.
- D. The Regional Government shall evaluate all costs of Investment Property at the time they are incurred in accordance with the the principle of Recognition. Such costs include those incurred at the initial acquisition of the Investment Property and those incurred subsequent to the initial acquisition that are used for additions, replacements, or improvements of the Investment Property.
- E. Based on the principle of Recognition of Investment Property, the Regional Government shall not recognize the costs of the property's daily maintenance as part of the carrying amount of the Investment Property. Instead, such costs shall be recognized as repair and maintenance expenses when incurred. Daily maintenance costs mainly consist of labour costs and consumables and may represent a minor portion of the acquisition cost.
- F. A component of an Investment Property may be acquired through replacement. In accordance with the Recognition principle, the Regional Government shall recognize the cost of replacing a part of

an Investment Property as part of the carrying amount when the cost is incurred, provided that the Recognition criteria are met. The carrying amount of the replaced part shall be derecognized in accordance with the derecognition provisions of this Accounting Policy.

V. Measurement

A. Measurement at Initial Recognition Investment Property shall initially be measured at its cost. When Investment Property is acquired through a non-exchange transaction, it shall be measured at its fair value as of the acquisition date. The cost of purchased Investment Property includes the purchase price and any directly attributable expenditure. Directly attributable expenditures include, among others, legal service fees, taxes, and other transaction costs. The cost of Investment Property shall not include the following expenditures:

1. start-up costs (except those necessary to bring the Investment Property to the condition necessary for it to be capable of operating as intended);
2. operating losses incurred before the Investment Property achieves the planned level of operation; or
3. waste of materials, labour, or other resources incurred during the construction or development of the Investment Property.

If payment for Investment Property is deferred, the cost of acquisition shall be equivalent to the cash price. The difference between that amount and the actual payment shall be recognized as an interest expense over the credit period. The initial acquisition cost of rights to property controlled through a lease and classified as Investment Property that is recorded as a finance lease shall be recognized at the lower of the fair value and the present value of the minimum lease payments. The corresponding amount shall be recognized as a liability.

A premium paid for a lease shall be treated as part of the minimum lease payments and, therefore, included in the cost of the Asset but excluded from the liability. If the right over property held under a lease is classified as Investment Property, the right itself shall be recorded at its fair value, not at the fair value of the underlying property.

Investment Property may be acquired through an exchange for monetary Assets or non-monetary Assets, or a combination of monetary

and non-monetary Assets. The acquisition cost of such Investment Property shall be measured at fair value unless:

1. the exchange transaction lacks commercial substance; or
2. the fair value of either the Asset received or the Asset surrendered cannot be measured reliably.

If the Asset acquired cannot be measured at fair value, its acquisition cost shall be measured at the carrying amount of the Asset surrendered. In determining whether an exchange transaction has commercial substance, the Regional Government shall consider whether the future cash flows or service potential are expected to change as a result of the transaction. An exchange transaction has commercial substance if:

1. the configuration (risk, timing, and amount) of the cash flows or service potential of the Asset received differs from the configuration of the cash flows or service potential of the Asset surrendered; or
2. the entity-specific value of a component of the entity's operations is affected by changes resulting from the exchange transaction; and
3. the difference arising from item 1 or item 2 is significant in relation to the fair value of the Assets exchanged.

For the purpose of determining whether an exchange transaction has commercial substance, the entity-specific value of the portion of the entity's operations affected by the transaction shall reflect post-tax cash flows. The results of this analysis shall be evident without the entity having to present detailed calculations. The fair value of an Asset for which no similar market transactions are available can be measured reliably if:

1. the variability in the range of reasonable fair value estimates for the Asset is not significant; or
2. the probability of the various estimates within the range can be reasonably assessed and used in estimating the fair value.

If the entity can reliably determine the fair value of either the Asset received or the Asset surrendered, the fair value of the Asset surrendered shall be used to measure the acquisition cost of the Asset received, unless the fair value of the Asset received is more clearly evident. Investment Property acquired from another Accounting Entity within the same Reporting Entity shall be measured using its carrying amount. Meanwhile, Investment

Property acquired from an Accounting Entity outside the Reporting Entity shall be measured at fair value.

- B. Subsequent Measurement after initial Recognition, Investment Property shall be measured using the cost method, namely at acquisition cost less accumulated depreciation.

Investment Property, except for land, shall be depreciated using the depreciation method in accordance with the applicable Accounting Policies governing Fixed Assets.

Revaluation of Investment Property is generally not permitted because the Government Accounting Standards adopt asset measurement based on acquisition cost or exchange price. Revaluation of Investment Property may be conducted pursuant to applicable national government regulations.

If the revaluation process is carried out in stages, the revaluation results for the Investment Property shall be recognized in the financial statements of the period in which the revaluation is performed, if and only if, the Investment Property has been fully revalued.

Investment Property shall be revalued simultaneously to avoid selective revaluation of Assets and the reporting of amounts in the financial statements that comprise a mixture of costs and values at different dates. However, Investment Property may be revalued on a rolling basis provided that the revaluation is completed within a short period and the revalued amounts are kept up to date.

At the time of revaluation, Investment Property shall be measured at fair value based on the revaluation results. The difference between the revalued amount and the carrying amount of the Investment Property shall be recognized in equity in the period the revaluation is performed. After revaluation, Investment Property shall be measured at fair value less accumulated depreciation. The Regional Government may adjust the useful life of the revalued Investment Property based on its physical condition. If the carrying amount of the Investment Property increases or decreases as a result of revaluation, such increase or decrease shall be recognized as an increase or decrease in equity.

The best guidance for determining fair value refers to current prices in an active market for similar property in the same location and condition, and based on similar leases and other comparable contracts. The Regional Government shall consider differences in the nature, location, or condition of the property, or the terms agreed in leases and other property-related contracts.

If current prices in an active market for similar property are not available, the Regional Government shall consider information from various sources, including:

1. current prices in an active market for property with different characteristics, conditions, or locations (or based on different leases or other contracts), adjusted to reflect those differences;
2. the most recent prices of similar property in a less active market, adjusted to reflect changes in economic conditions since the date of the transaction that established those prices; and
3. discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms and conditions in existing leases and other contracts and, where possible, by external evidence such as current rental markets for similar property in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount or timing of the cash flows.

In conducting a revaluation, the Regional Government may use either internal valuation or an independent appraiser.

- VI. Investment Property shall be presented as a non-current Asset in the balance sheet in rupiah.

Investment Property shall be presented in the balance sheet separately from Fixed Assets and other Assets.

Because the nature of classifying Investment Property is to generate rental income or value appreciation, the Regional Government may have the intention to sell the property if the increase in value is favorable and the Regional Government does not intend to utilize the property in the future. The classification of Investment Property does not take into account whether the intention to designate the Asset as Investment Property is continuous or non-continuous.

- VII. Matters to be disclosed in relation to Investment Property in the Notes to the Financial Statements (CaLK) include, among others:

- A. the basis of measurement used to determine the carrying amount;
- B. the depreciation method used;

- C. the useful life or depreciation rate applied;
- D. the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period;
- E. a reconciliation of the carrying amount of Investment Property at the beginning and end of the period, showing:
 - 1. additions, including separate disclosure of additions resulting from mergers and additions of expenditures after acquisition that are recognized as Assets;
 - 2. additions resulting from mergers;
 - 3. disposals;
 - 4. depreciation;
 - 5. transfers to and from inventory and self-occupied property; and
 - 6. other changes.
- F. if the Regional Government carries out a revaluation of Investment Property, the fair value of the Investment Property showing the following:
 - 1. a description of the Investment Property revalued;
 - 2. the regulatory basis for the revaluation;
 - 3. the effective date of the revaluation;
 - 4. the carrying amount before revaluation;
 - 5. the amount of the adjustment to fair value;
 - 6. the carrying amount of the Investment Property after revaluation;
- G. if the valuation is carried out on a rolling basis, the disclosure of the revaluation results of the Investment Property;
- H. if the classification of Investment Property is difficult to determine, the criteria used to distinguish Investment Property from self-occupied property and from property held for sale in the normal course of operations;
- I. the significant methods and assumptions applied in determining fair value when the Regional Government conducts a revaluation of Investment Property, including a statement as to whether the determination of fair value is supported by market evidence or is more heavily based on other factors (which must be disclosed by the entity) due to the nature of the property and the limitations of comparable market data;
- J. if the Regional Government performs a revaluation using an independent appraiser, the extent of relevant professional qualifications and the appraiser's recent experience in the location concerned;

- K. amounts recognized in surplus/deficit for:
 - 1. ordinary rental income from Investment Property;
 - 2. direct operating expenses (including repairs and maintenance) arising from Investment Property that generated rental income during the period; and
 - 3. direct operating expenses (including repairs and maintenance) arising from Investment Property that did not generate ordinary rental income during the period.
- L. contractual obligations to purchase, construct, or develop Investment Property, or for repairs, maintenance, or enhancements;
 - 1. Investment Property leased by other government entities; and
 - 2. other information related to Investment Property.

VIII. Transfer of Use

Transfer to or from Investment Property shall be made if, and only if, there is a change in use evidenced by:

- a. the commencement of use of the Investment Property by the Regional Government, resulting in a transfer from Investment Property to Fixed Assets;
- b. the commencement of development of the Investment Property for sale, resulting in a transfer from Investment Property to inventory;
- c. the cessation of use of an Asset by an Accounting Entity and/or Reporting Entity, resulting in a transfer from Fixed Assets to Investment Property; and
- d. the commencement of an operating lease to another party, resulting in a transfer from inventory to Investment Property.

The Regional Government shall transfer property from Investment Property to inventory under the following treatments:

- a. if the Regional Government begins developing the Investment Property and will continue to use it in the future as Investment Property, the Investment Property shall not be transferred and shall continue to be recognized as property;
- b. if there is a change in use, evidenced by the commencement of development for the purpose of sale, the Regional Government shall reclassify the Investment Property as inventory; and
- c. if a decision is made to dispose of the Investment Property without development, the Regional Government shall continue to treat the property as Investment Property until its

Recognition is terminated and it is removed from the statement of financial position, and shall not treat it as inventory.

The Regional Government shall regularly evaluate the utilization of buildings to determine whether they qualify as Investment Property. If the government decides to retain a building for its ability to generate rental income and potential value appreciation, the building shall be classified as Investment Property at the commencement of the lease.

Transfers between Investment Property, self-occupied property, and inventory shall not change the carrying amount of the property transferred and shall not change the cost of the property for Measurement and Disclosure purposes. Transfers of Investment Property shall use the carrying amount at the date the transfer is made.

IX. Disposal of Investment Property shall be derecognized when:

- a. it is disposed of; or
- b. the Investment Property is permanently no longer in use; or
- c. no future economic benefits are expected at the time of disposal.

Disposal of Investment Property may be carried out by means of sale, exchange, write-off, or derecognition.

The Regional Government shall recognize the replacement cost of a specific component of an Investment Property in the carrying amount of the Asset, and the carrying amount of the replaced component shall no longer be recognized.

The Regional Government may use the replacement cost as an indication for determining the cost of the replaced component at the time it was acquired or constructed if the carrying amount of the replaced component cannot be determined practicably.

Gains or losses arising from the termination or disposal of Investment Property shall be determined as the difference between the net proceeds from the disposal and the carrying amount of the Asset and shall be recognized in Non-Operational Surplus/Deficit in the Statement of Operations in the period in which the termination or disposal occurs.

Consideration received from the disposal of Investment Property shall initially be recognized at fair value. If payment for the Investment Property is deferred, the consideration received shall initially be recognized at an amount equivalent to the cash price. The difference between the nominal amount of the consideration and the

amount equivalent to the cash price shall be recognized as interest revenue. The Regional Government shall record any outstanding obligations related to the Investment Property subsequent to its disposal.

Compensation received from third parties for impairment, loss, or return of Investment Property shall be recognized as surplus/deficit when such compensation is recognized as a receivable.

X. Transitional Provisions

The Regional Government shall implement this policy by classifying its Assets as Investment Property for the first time using the carrying amount of the Assets as their acquisition cost. The Regional Government shall apply this Accounting Policy prospectively.

REGENT OF PEKALONGAN,

(Signed)

FADIA ARAFIQ