

WAKE UP CALL

Welcome to issue 36 of Wake Up Call—RSM Indonesia newsletter covering topics on audit, accounting, business, corporate finance, governance, internal control, management, risk, taxation.

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LETTER FROM OUR CHAIRMAN

The year 2015 mark our 30th year of presence in Indonesia, and as this year draw to a close, I would like to again say thanks for the support given by you—our clients and colleagues—which has made this milestone happened and celebrated.

Another milestone this year was that RSM AAJ has rebranded to 'RSM' and adopted a new visual identity alongside fellow members of its international network. RSM International, the world's seventh largest audit, tax and consulting network, on 26 October 2015 adopts 'RSM' as its united global brand name in over 110 countries worldwide.

RSM AAJ which now referred to as RSM Indonesia, one of the leading audit, tax and consulting firm with 2 offices and 500+ staff in Indonesia has been a member of the RSM International network for 23 years.

Being globally connected with strong knowledge on Indonesia, we have been supporting our clients' needs to grow and expand internationally by providing seamless, cross-border services to our clients, and this recent progression will further ensure enhancement of services to our clients that goes along with the increased knowledge and capability of the network.

The rebrand coincided with RSM World Day 2015, which has taken place annually since 2012 as a cele-

bration of the shared values of the global network, engaging staff and clients in activities such as team building and community work.

In addition to the new name and logo, we also have a new global tagline "The Power of Being Understood", which reaffirms RSM dedication and commitment on its 'passionate focus on collaboration', 'deep understanding of what matters most to clients', and 'insight sharing by senior partners'.

The new single brand enables us to better promote our resources and expertise, and provide an enhanced, seamless service offering to clients all over the world, benefiting them and also our 37,500 professionals globally.

I believe that, with the adoption of a common name and unified global brand, RSM AAJ, now known as RSM Indonesia, will strengthen its presence in the market, which in turn will create opportunities for the community, and for our people.

While our name is changing, we are maintaining the core essence and legacy of the AAJ brand. We are proud of our heritage, and we are staying true to our roots. Adopting the RSM name simply enables us to work most effectively in all countries around the world.



Amir Abadi Jusuf

Founder and Chairman
RSM Indonesia

ENHANCING GOVERNANCE PRACTICE THROUGH AN INDEPENDENT WHISTLEBLOWING SYSTEM



Angela Simatupang, Governance Risk Control Practice

Any system that can deter and detect misconduct, malpractice and mismanagement, as well as protect and enhance the reputation of an organization should be welcomed. It takes a great deal of courage for anyone to pass information or highlight their concerns about malpractice, mismanagement or misconduct occurring within their organisation – not to mention occurring within their organisation. Thus organisations should offer opportunity to do so via an easily accessible route, to make the process of raising concerns as simple as possible; and via a trusted channel in the view of reporter, to make them feel comfortable in reporting.

Demand for anti-fraud control

The increasing number of white-collar crimes in various parts of the world has prompted many countries and business associations to undertake prevention efforts and increase the demand for implementing good governance in both the private and public sectors.

Small organizations are disproportionately victimized by occupational fraud. These organizations are typically lacking in anti-fraud controls compared to their larger counterparts, which makes them particularly vulnerable to fraud.

The industries most commonly victimized were the banking/financial services, manufacturing and government/public administration sectors.

High-level perpetrators cause the greatest damage to their organizations. Frauds committed by owners/executives were more

than three times as costly as frauds committed by managers, and more than nine times as costly as employee frauds. Executive-level frauds also took much longer to detect.

More than 80% of the frauds were committed by individuals in one of six departments: accounting, operations, sales, executive/upper management, customer service or purchasing.

Why organisation fail to discover fraud?

Based on an ACFE (Association of Certified Fraud Examiner) study, there are several key points that should be taken into consideration:

- Organisations tend to over-rely on external audits.
- External audits should not be relied upon as an organization's primary fraud detection method. Such audits

were the most commonly implemented control; however, they detected only 3% of the frauds reported, and they ranked poorly in limiting fraud losses.

While external audits serve an important purpose and can have a strong preventive effect on potential fraud, their usefulness as a means of uncovering fraud is limited.

- Organisations does not facilitate people to report fraudulent activities.
- 42% of frauds were detected by tip, yet only 54% victim organisation had a formal reporting mechanism in place.

What can minimize fraud?

The best practice for fraud prevention is for an organization to

have an effective and visible anti-fraud program.

- Clear regulations with provisions on prohibiting illegal act
- Consistent implementation of the regulations, along with its sanctions
- Continuous monitoring, and investigation of any suspects & perpetrators
- Whistle-blower policy & mechanism
- Non-conflict of interest policy
- Tone from the top

Providing individuals a means to report suspicious activity is a critical part of an anti-fraud program.

Fraud reporting mechanisms should be set up to receive tips from both internal and external sources and should allow anonymity and confidentiality.

Management should actively encourage reporting of suspicious activity, as well as enact and emphasize an anti-retaliation policy.

Benefit of having a whistleblowing system

Effective WBS will encourage community participation and employees of the company to be more willing to act to prevent fraud and corruption to report it to those who can handle it. This means WBS was able to reduce the culture of "silence" towards the culture of "honesty and openness".

Effective WBS needs a proper structure and processes since that

the informer need a sense of security and assurance of safety in order to participate in preventing fraud and corruption. Security and guarantee of safety of both life and property for the informer and his/her family is one of the important aspects of the application of the WBS. The government itself has prepared a variety of devices including LPSK (Lembaga Perlindungan Saksi dan Korban) to perform such protection.

Some of the benefit of a whistleblowing system includes:

- The availability of critical and important information submission for company to parties must promptly handle safely
- The emergence of a reluctance to commit the offense, with an increased willingness to report the occurrence of offense, as a results of confidence in effective reporting system
- The availability of early warning system over the possibility of a problem resulting from an offense
- The availability of an opportunity to address the issue of violations internally, before expanding into public violation issues
- Reduce risks faced by the organizations, as a result of the offense in terms of finance, operations, legal, safety and reputation
- Reducing costs in handling the consequences of the offenses

- The increase of company's reputation in the eyes of stakeholders, regulators and public
- Advise the organization to look beyond critical area and work process that have internal control weaknesses, as well as to design the necessary corrective actions

An in-house or a subcontracted whistleblowing system?

There are several factors that affect an individual's likelihood of whistleblowing. Two such factors are:

- The characteristics of the wrongdoing, and
- The characteristics of the organization.

Whilst many organizations operate excellent internal reporting systems, it should be acknowledged that there will always be concerns or types of information, quite often in relation to serious matters, that will not be reported through internal channels. It should also be recognized that some may feel uncomfortable using an internal system too.

The holistic approach taken by a whistleblowing service provider, ensures that every aspect of the process is effective and beneficial to the organisation. This applies to the entire process – from the consultation and implementation stages – the contact with reporter and obtaining the best possible information through one of many available platforms – the timely provision of detailed information to entrusted senior personnel within

the organisation – the provision of advice where requested – the provision of feedback to the reporter – to the facilitation.

The experienced independent service provider can also display greater sensitivity where cultural nuances and perceptions of whistleblowing differ.

After consultation, authorized receivers of Information will be identified within organisation and it is only to those persons that the independent service provider will report to.

This ensures that the information is passed to senior employees each and every time, which provides consistency and security.

Why an independently managed whistleblowing system is useful?

It is not only multi-national organizations that face risk on a day-to-day basis. Risks are prevalent in the running and management of every organization – small, medium or large.

Any system that can deter and detect misconduct, malpractice and mismanagement, as well as protect and enhance the reputation of an organization should be welcomed.

An effectively implemented external and independent whistleblowing service can provide an early warning of wrongdoing and alleviate the risks that any type and size of organization face today.

It takes a great deal of courage for anyone to pass information or highlight their concerns about malpractice, mismanagement or misconduct occurring within their organisation – not to mention occurring within their organisation.

Thus organisations should offer opportunity to do so via an easily accessible route, to make the process of raising concerns as simple as possible; and via a trusted channel in the view of reporter, to make them feel comfortable in reporting.

For further information, please contact:

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*Our very best wishes for an
enjoyable festive season*

*We wish you a joyous
& prosperous New Year*

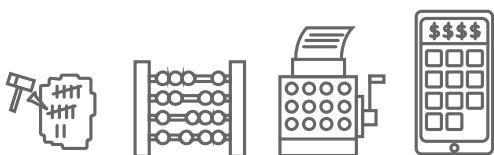
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FIXED ASSET REVALUATION REGULATION FOR 2015 & 2016



Sentot A. Priyanto & Rizal Awab, Tax Practice

As part of the Government's 5th economic stimulus package, the Minister of Finance issued regulation No.191/PMK.010/2015 ("the Regulation – PMK– 191") regarding Fixed Asset Revaluation for Tax Purposes for 2015 and 2016.

The Regulation provides special treatment for taxpayers that wish to submit applications for fixed asset ("FA") revaluation in 2015 and 2016. As such, the previous general regulation regarding fixed asset revaluation for tax purposes (PMK No.79/PMK.03/2008 – "PMK–79") will continue to apply for any application for FA revaluation that is submitted after 31 December, 2016. That is, there will be a reduction to the rate of final tax that applies to the revaluation and additional flexibility regarding the time to obtain a licensed appraisal.

Who is eligible to apply for a FA revaluation under PMK–191?

The taxpayers that are eligible to apply for PMK–191 are Corporate Taxpayers, Permanent Establishments and Individual Taxpayers who maintain bookkeeping.

Which FA can be revalued?

The Regulation permits the taxpayer to revalue whichever FA it wishes. That is, the taxpayer can revalue none, some or all FA. However, once revalued, it is not possible to revalue the particular FA again for another 5 years.

What is the rate of Final Tax that will apply to the revaluation?

According to the Regulation, Final Tax will be imposed on the difference between the book value and market value, however, the rate of 10% that usually applies for an approved FA revaluation (under PMK–79) is reduced to become as follows:

- 3%, for applications submitted until 31 December 2015
- 4%, for applications submitted from 1 January 2016 until 30 June 2016
- 6%, for applications submitted from 1 July 2016 until 31 December 2016

What is the benefit of undertaking a revaluation for tax purposes?

The primary benefits relates to:

- Re-setting the book value and useful life for calculation of depreciation (the new asset value and useful life commence from 1 January, 2016 for revaluations during 2015 and the month of revaluation if the revaluation occurs after 2015)

- Preserving tax losses to be set-off against operating profits and not future profits on sales of the revalued FA
- Potential ability to distribute tax-free bonus shares
- It might improve the taxpayer's Debt-Equity ratio if the revaluation is also conducted for commercial purposes

How is the market value determined, and when?

The taxpayer has two options for determining the market value:

- Conduct the FA revaluation (and lodge the application) using a licensed appraisal firm, or
- Conduct the FA revaluation (and lodge the application) using an estimated value

However, if an estimated value is used then the taxpayer is still required to do a revaluation by using a valuation from a licensed appraisal firm. This should be submitted to the Tax Office within the following time frame:

- 31 December 2016, if the original application was submitted until 31 December 2015
- 30 June 2017, if the original application was submitted from 1 January 2016 until 30 June 2016
- 31 December 2017, if the original application was submitted from 1 July 2016 until 31 December 2016

In addition, if the estimated value of the fixed assets is lower than valuation from the licensed appraisal firm then additional Final Tax must be paid using the following tax rates:

- 3% if the additional Final Tax is paid in 2015
- 4% if the additional Final Tax is paid from January to June 2016
- 6% if the additional Final Tax is paid from July to December 2016
- 10% if the additional Final Tax is paid after 31 December, 2016

What happens if the FA is sold after being revalued?

If the revalued FA is sold within a stipulated period after the revaluation then additional Final Tax ap-

plies at the rate of 25% times the revaluation increase, less the Final Tax already paid at the time of revaluation. Ordinary income tax will apply to any gain/loss realized on the sale (i.e. after considering the revalued base less any depreciation)

The stipulated periods are:

- For FA under Tax Asset Group 1 & 2 cannot be sold within 4 and 8 years, respectively;
- Other FA cannot be sold within 10 years.

Administration requirements for the Application

If the Fixed Assets are revalued by a Licensed Appraisal Firm

The documentation that should be attached along with the standard application form are as follows:

- Tax payment slip (Surat Setoran Pajak) as proof the Final Tax has been paid
- The list of revalued fixed assets
- Copy of the Appraisal Business License
- Fixed asset revaluation report issued from the Appraisal
- The latest of Financial State-

ment before revaluation

Revaluation of Fixed Assets Using The Estimated Value

The documentation that should be attached along with the standard application form are as follows:

- Tax payment slip (Surat Setoran Pajak) as proof the Final Tax has been paid
- The list of revalued fixed assets
- The documents/ data as mentioned in point 1 above should be submitted as an additional documents within the following time frame:
- 31 December 2016, if the original application was submitted until 31 December 2015;
- 30 June 2017, if the original application was submitted from 1 January 2016 until 30 June 2016;
- 31 December 2017, if the original application was submitted from 1 July 2016 until 31 December 2016.

For further information, please contact:

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ALIGNING BUSINESS & FINANCIAL REPORTING STRATEGY

Saptoto Agustomo, Audit Assurance Practice



There are several ways to maximise the value of assets through cooperation with other parties.

The most common is by establishing a new entity, where one party controls this new entity, and other parties contribute their portion.

Alternatively, by sharing the control between parties involved, either by forming a new company or not.

The decision shall be based on several considerations, such as legal, technology, expertise, taxation and the company's strategy.

How to record in the financial statements will then depend on the nature and substance of the cooperation.

When the parties consider that the establishment of a new entity in which one party will control and the others only take part as sleeping partners, consolidation approach is applied. By this approach, the controlling entity will record all assets, liabilities, revenues and ex-

penses of this new entity. As a consequence, the financial performance of the cooperation will be fully reflected in the financial statements of the controlling entity.

Another choice is the sharing of controls among parties, known as joint control. In joint control arrangement, the parties shall have a contractual agreement, stated that they agree to share controls in which decisions about the relevant activities (that is strategic financial and operating decisions) require unanimous consent of the parties sharing controls. In this joint arrangement (JA), it decided when does activities of selling and purchasing of goods or services, managing financial assets during their life, selecting, acquiring or disposing of assets, researching and developing new products or processes, and determining funding structure— require unanimous consent of the parties that control collectively.

There are 2 types of JA, joint operation and joint venture.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities,

relating to the arrangement. Those parties are called joint operators. Joint operator shall recognize in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly. Therefore, the financial performance of the joint operation is not fully reflected in controller's financial statements.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers. Joint venturers (JVs) recognise its interest in a joint venture as an investment and account for that investment using the equity method, meaning that JV's interest is initially recognized at cost and the carrying amount is increased or decreased to recognize the JV's share of the profit or loss of the joint venture after the date of establishment. As a result, financial

performance of JV is reflected in 1 line item in the JVs profit or loss.

In sum, there are three options on how a business cooperation impact the financial performance.

First, joint arrangement's financial performance is fully reflected. Revenue, expenses and profit of the cooperation are included in revenue, expenses and profit of the company.

Second, joint arrangement's financial performance is reflected to the

extent the company's interest. Revenue, expenses and profit of the cooperation are recognized in the revenue, expenses and profit of the company at the amount equal to its interest.

Third, joint arrangement's financial performance is reflected in one item in profit or loss.

When your business strategy emphasises on revenue and asset growth, the first and second may be more preferable. If it emphasis-

es on return on assets, the third is preferable as it creates less asset with similar amount of profit.

Do not forget that nature of control be the primary driver in determining the appropriate accounting treatment.

For further information, please contact:

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Indonesia Facts

Indonesia is a vast equatorial archipelago of 17,500 islands extending 5,150 kilometres (3,200 miles) east to west, between the Indian and Pacific Oceans in Southeast Asia.

OUR ACTIVITIES



RSM World Day 2015



RSM World Day which has taken place annually since 2012 as a celebration of the shared values of the global network was celebrated in Indonesia with a

blood donation activity in cooperation with the Indonesia Red Cross, an opening speech from Amir Abadi Jusuf, our Chairman, and a presentation on RSM by Angela Simatupang, the International Contact Partner for Indonesia, and a movie screening to end the day.



Global Rebranding



On 26 October 2015, RSM AAJ rebranded to 'RSM' and adopted a new visual identity alongside fellow members of its international network.

For a month, starting on 26 October 2015, we campaigned our new brand in the FT, the Wall Street Journal, Bloomberg Business and also LinkedIn.

We also ran a campaign at major international transit airports globally including: London Heathrow, New York JFK, Chicago O'Hare, Washington Dulles, Miami, Singapore, Hong Kong and Dubai.



An afternoon discussion on merger & acquisition



Corporate transactions in the form of Merger and Acquisition are some of many route to success companies need to take to expand—even sometime to stay in business. As it is fruitful, M&A preparation, execution, and post-transactional management comes with great risk and complexities. On 26 November, RSM Indonesia held an afternoon discussion with clients, contacts, and colleagues.

Setting 'Managing Successful M&A' as the topic, RSM Indonesia shared ideas and insights from Corporate Transactions, Audit, and Tax perspectives. Wiljadi Tan, Corporate Finance & Transactional Support Partner; Saptoto Agustomo, Audit Assurance Managing Partner; and Sentot A. Priyanto, Tax Partner presented their respective field take on the subject and addressed many interesting issues.



RSM Indonesia on the spotlight



The profile of our Chairman, Amir Abadi Jusuf was featured on 21 October 2015 edition of *Bisnis Indonesia*, where he shared his success story which achieved through perseverance.



See more at <http://postimg.org/image/5qdwhr41/>



Audit Assurance
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Thank you for reading.

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