Jakarta, May 31, 2016

Director of Research and Technical Activities,

Project No. 3-24E

Proposed Statement of the Governmental Accounting Standards Board - Leases

At glance I have read not all pages of the Proposal but I can reach a conclusion that the Proposal has been prepared very good. But I would like to propose a comment that in my opinion it is very important regarding the existence of Balance Sheet as one of Financial Statements for state and local governmental entities, including general purpose governments; public benefit corporations and authorities; public employee retirement systems; and public utilities, hospitals and other healthcare providers, and colleges and universities

With great concern I will try raise the awareness of the professional accountants nationally and internationally from their faults in creating and continuing a concept of Financial Statements – Balance Sheet and Income Statement. To whom who want to know the history of the creating of Balance Sheet and Income Statement can read the book of Eldon S. Hendriksen 1).

Here I want remind my accountant colleagues from their faults in creating a concept of Financial Statement – Balance Sheet by the following description.

I will starts with a question. Do professional accountants realise when they prepared a Balance Sheet that we do a job with the result that cannot proof its mathematical truth? For the time being we know that the accountant did not care or did not know to the statement of Professor of Accounting George J. Staubus written in his book as follows:

"The failure of the sum to represent a measure of the value of the whole firm (additivity failure) is a limitation of the accounting that we do not know how to overcome.” 2)

In addition that in the mathematic there is an assumption of the addition process that:"The sum of two numbers is a unique numbers” 3) and "If equal number be added to equal number the sums are equal number” 4) For example: 5 plus 3 its sum is 8 . In the Mathematic, the operation
of addition needs the uniquiness of property as Keedy said:”the essential property of operation is
the uniquiness” 5).

And we know that the Balance Sheet in the assets side presents in the measurement of value of
many types of assets for example: Cash, Inventory, Building, Land and so on. As we understand
that for Cash item its property of valuation is face value, for Inventory we know many types of
valuation methods i.e. LIFO, FIFO and so on, for Building item its property valuation is
acquisition or historical cost minus accumulated depreciation that have many methods.

Balance Sheet only accumulates the total value of money based on the respective property of
each item of assets and liabilities that cannot proof its mathematical truth.

So, from the scientific approach the professional Accountants provide something said to very
important for efficient markets, and facilitate capital formation with the Balance Sheet but
scientifically illogical.

Here I absolutely propose GASB to perform efforts avoiding state and local governmental
entities, including general purpose governments; public benefit corporations and authorities;
public employee retirement systems; and public utilities, hospitals and other healthcare
providers, and colleges and universities in applying the Balance Sheet in their accountability.

What substitute for balance sheet?

Government or State and local governments enough to prepare sub-ledger and list of assets such
as Cash, Bank, building and other fix assets including grants, donated assets, or leases of tangible
assets such as vehicles, heavy equipment, and buildings and intangible assets such as patents and
software licenses, receivables such as tax receivable and liabilities such as long term bond. There
are no summary of the value of the assets as shown in the list of assets.

For private entities, I proposed other New Financial Report, it can be accessed in the website
https://www.ifac.org/publications-resources/consultation-paper-meeting-future-expectations-
professional-competence in Submitted Comment Letters # 35 Muhammad Hadidjaja
(Indonesia). The Report will substitute Income Statement and Statement of Cash Flow and I
named it “Cash of the Investors/Owner Statement”. But it is not relevant to be explained in this
chance.

Best Regards,

Muhammad Sardjono Hadidjaja


4) Ibid page 3