Are you ready?

Which standards are mandatory for your financial year?

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Which standards are mandatory for your financial year?

A number of new standards and amendments have been issued up to 31 December 2024. This publication lists new pronouncements in issue at the date of this publication, which were not yet effective for periods beginning on or after 1 January 2023 and which therefore may need to be considered for the first time when preparing financial statements under SAK Indonesia for an annual period beginning on or after 1 January 2024:

New currently effective requirements

Effective date	Amendments to accounting standards	
1 January 2024*	*Classification of Liabilities as Current and Non-current, and Non-current Liabilities with Covenants* (Amendments to PSAK 201)	●
	Lease Liability in a Sale and Leaseback (Amendments to PSAK 116)	●
	Supplier Finance Arrangements (Amendments to PSAK 207 and PSAK 107)	●
	Revised PSAK 401: *Presentation of Sharia Financial Statements,* and PSAK 409: *Accounting for Zakat, Infaq and Sadaqah*	

*In addition, SAK *Internasional*, a new tier of reporting that fully adopts IFRS Accounting Standards is also effective from 1 January 2024. At the date of this publication, this tier of reporting is applicable for entities that meet the criteria set out by the capital market regulator (i.e. dual listing entities).

● Amendments or annual improvements to standards fully adopt equivalent amendments or annual improvement to IFRS Accounting Standards, including the effective date.

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Forthcoming requirements

	Effective date	Amendments to accounting standards	
	1 January 2025**	*Lack of Exchangeability* (Amendments to PSAK 221)	●
		PSAK 117: *Insurance Contracts*	∂
		Initial Application of PSAK 117 and PSAK 109 — Comparative Information (Amendments to PSAK 117)	∂
	1 January 2026	*Amendments to the Classification and Measurement of Financial Instruments* (Amendments to PSAK 109 and PSAK 107)	●
		Annual Improvements 2024 (Amendments to PSAK 107, PSAK 109, PSAK 110, and PSAK 207)	●
	1 January 2027	PSAK 413: *Impairment*	

**In addition, *SAK Indonesia for EP*, which replaces *SAK Indonesia for ETAP*, is also effective from 1 January 2025.

● Amendments or annual improvements to standards fully adopt equivalent amendments or annual improvement to IFRS Accounting Standards, including the effective date.

∂ New or amendments to standards adopt new or amendments to IFRS Accounting Standards, but are effective at a later date.

For new numbering of standards under SAK Indonesia effective from 1 January 2024, refer to our publication ***SAK Indonesia – An overview*** (see Appendix 2).

Amendments to PSAK 201 - *Classification of Liabilities as Current and Non-current* (2020 Amendments), *and Non-current Liabilities with Covenants* (2022 Amendments)

The amendments clarify the requirements in determining the classification of a liability as current and non-current, whereby only covenants that an entity must comply with on or before the reporting date will affect the classification at the reporting date.

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Covenants with which the entity must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at the reporting date. However, for non-current liabilities that are subject to future covenants, an entity shall disclose information with regards to risk that those liabilities could become repayable within 12 months after the reporting date.

An entity classifies a liability as non-current if it has a right to defer settlement for at least 12 months after the reporting date. The right to defer settlement for at least 12 months after the reporting date must have substance and exist at the reporting date. Such classification is unaffected by management's intentions or expectations about whether an entity will exercise its right to defer settlement or will choose to settle early, similar to existing requirements in PSAK 201.

The amendments also clarify how an entity classifies a liability that can be settled in its own shares i.e. convertible debt. If the conversion option is classified as equity applying existing requirements in PSAK 232 (e.g. fixed amount of debt in an entity's functional currency convertible into a fixed number of shares), it does not affect the classification as current or non-current. Otherwise, if the conversion option is classified as liability applying PSAK 232, classification requirements as current or non-current apply.

The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

Amendments to PSAK 116 - *Lease Liability in a Sale and Leaseback*

The amendments affect how a seller-lessee accounts for variable lease payments arising from a sale-and-leaseback transaction.

The amendments confirm the following:

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction
- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, and are applied retrospectively to sale-and-leaseback transactions entered into after the date of initial application of PSAK 116. Earlier application is permitted.

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Amendments to PSAK 207 and PSAK 107 - *Supplier Finance Arrangements*

The amendments apply to supplier financing arrangements that have all of the following characteristics:

- A finance provider pays amounts an entity (the buyer) owes its suppliers.
- An entity agrees to pay under the terms and conditions of the arrangements on the same date or at a later date than its suppliers are paid.
- The entity is provided with extended payment terms or suppliers benefit from early payment terms, compared with the related invoice payment due date.

These amendments require an entity to disclose information about its supplier finance arrangements that enables users to assess its effects on entity's liabilities, cash flows, and its exposure to liquidity risk. These amendments also require disclosures for concentration of liquidity risk that may arise from such arrangements.

For example of disclosures required by these amendments, refer to our publication **Illustrative disclosures - Guide to annual financial statements - December 2024.**

Nonetheless, the amendments do not address the classification and presentation of the related liabilities and cash flows.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. The amendments allow some relief from disclosure of certain information in the year of initial application.

Revised PSAK 401: *Presentation of Sharia Financial Statements*, and PSAK 409: *Accounting for Zakat, Infaq and Sadaqah*

Amendments to PSAK 409 apply for accounting by Amil entities that manage zakat, infaq, and sadaqah (i.e. managed assets). The amendments clarify that Amil entities recognize subsequent changes in fair value of their managed assets, as well as the difference between previous carrying amount of the managed assets and net cash received from sales of the managed assets, in profit or loss. The amendments also clarify that discounts and other concessions received by Amil entities when purchasing goods or services, subject to explicit confirmations from the donor on the intended

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beneficiaries, are recognized as income (if Amil entities are the beneficiaries) or otherwise as deferred income (i.e. as part of infaq or sadaqah funds; if other parties are the beneficiaries).

Amendments to PSAK 409 are to be applied concurrently with amendments to PSAK 401, which remove requirement of presenting changes in managed assets separately in the face of the financial statements. This information shall now be disclosed in the notes to the financial statements.

These amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application permitted.

Amendments to PSAK 221: *Lack of Exchangeability*

Under PSAK 221, an entity uses a spot exchange rate when translating a foreign currency transaction. However, in rare cases, it is possible that one currency cannot be exchanged into another (e.g. if the government impose controls on exchange of foreign currencies).

The amendments clarifies:

- when a currency is exchangeable into another currency;
- and how an entity estimates a spot rate when a currency lacks exchangeability.

The amendments, however, do not contain specific requirements for estimating a spot rate. The objective is to estimate spot rate to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. Therefore, when estimating a spot rate, an entity can use either an observable exchange rate without adjustment, or another estimation technique, to fulfill that objective.

The amendments also include disclosure requirements to help users assess the impact of using an estimated exchange rate on the financial statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.

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PSAK 117: *Insurance Contracts*; and Amendments to PSAK 117: *Initial Application of PSAK 117 and PSAK 109 — Comparative Information*

PSAK 117 adopts the requirements in IFRS 17 and it replaces previous requirements under SAK Indonesia that were dispersed in PSAK 104, PSAK 328, and PSAK 336.

PSAK 117 introduces an accounting model that measures liability of group of insurance contracts based on estimates of the present value of future cash flows that are expected to arise as the insurance contract is fulfilled (i.e. fulfillment cash flows), an explicit risk adjustment for non-financial risks and contractual service margin (CSM). The CSM represents unearned profit that an entity will recognize as it provides services over the coverage period. When on initial recognition it results in total net outflow, it is recognized as an immediate loss.

Subsequent to initial recognition, the liability of a group of insurance contracts comprises the liability for remaining coverage (i.e. fulfillment cash flows for future services) and the liability for incurred claims. The fulfillment cash flows are remeasured at each reporting date to reflect current estimates. Changes in the fulfillment cash flows are generally treated in a number of ways: a) changes in time value of money and financial risks are recognized either in profit or loss or other comprehensive income (OCI), b) changes related to past and current service are recognized in profit or loss; and c) changes related to future service adjust the CSM. Insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which an entity expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows.

The aggregation of contracts into groups as defined by PSAK 117 is required at initial recognition and is not reassessed subsequently. Contract grouping is performed in a manner that limits the offsetting of profitable contracts against loss-making ones and cannot include contracts issued more than one year apart; however, exceptions apply in certain circumstances on transition.

While the general measurement model applies to all groups of insurance contracts in the scope of PSAK 117, there is an option to apply a simplified approach (i.e. premium allocation approach or PAA) to measure contracts that meet certain criteria. Separately, the general measurement model is mandatorily modified for the measurement of reinsurance contracts held, direct participating contracts and investment contracts with discretionary participation features.

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Entities are required to present separately insurance revenue, insurance service expenses and insurance finance income or expenses. Investment components and refunds of premiums are excluded from insurance revenue and insurance service expenses. Entities can choose to disaggregate insurance finance income or expenses between profit or loss and OCI.

PSAK 117 also includes new disclosure requirements aimed to deliver clarity and transparency, which may result in disclosures of information at a more granular level. An entity is required to disclose, among others, reconciliations of drivers of change in the contract liability and different types of information about the insurance service results.

With PSAK 117, the temporary exemptions from PSAK 109 *Financial Instruments* will expire for insurers.

PSAK 117 is effective for annual reporting periods beginning on or after 1 January 2025, and early adoption is permitted. It is applied retrospectively unless this is impracticable. An entity can apply different transition approaches to different group of contracts, as appropriate, including the approaches for presenting the comparative information.

Amendments to PSAK 109 and PSAK 107: *Amendments to the Classification and Measurement of Financial Instruments*

The amendments introduce an additional solely-payments-of-principal-and-interest (SPPI) test for financial assets with contingent features that are not related directly to a change in basic lending risks or costs – e.g. where the cash flows change depending on whether the borrower meets an ESG target specified in the loan contract.

Under the amendments, certain financial assets including those with ESG-linked features could now meet the SPPI criterion, provided that their cash flows are not significantly different from an identical financial asset without such a feature. Judgement will be required in determining whether the new test is met.

Additional disclosure requirements apply for all financial assets and financial liabilities that have certain contingent features that are: a) not related directly to a change in basic lending risks or costs; and b) are not measured at fair value through profit or loss.

The amendments also clarify the following:

- *Contractually linked instruments (CLIs) and non-recourse features*

  The amendments clarify the key characteristics of CLI instruments and how they differ from financial assets with non-recourse features.

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The amendments also include factors that an entity needs to consider when assessing the cash flows underlying a financial asset with non-recourse features (the 'look through' test).

- *Disclosures on investments in equity instruments*

  The amendments require additional disclosures for investments in equity instruments that are measured at fair value with gains or losses presented in other comprehensive income (FVOCI).

- *Recognition and derecognition of financial assets and financial liabilities*

  The amendments address the recognition and derecognition of financial assets and financial liabilities, including an exception relating to the derecognition of financial liabilities that are settled using an electronic payment system. As a result of the exception, an entity may derecognize its financial liabilities before the settlement date, when it uses an electronic payment system that meets all of the following criteria:

  - no practical ability to withdraw, stop or cancel the payment instruction;
  - no practical ability to access the cash to be used for settlement as a result of the payment instruction; and
  - the settlement risk associated with the electronic payment system is insignificant.

The amendments are effective for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted. An entity may choose to early-adopt these amendments (including the associated disclosure requirements), separately from the amendments for the recognition and derecognition of financial assets and financial liabilities.

Annual Improvements 2024 (Amendments to PSAK 107, PSAK 109, PSAK 110, and PSAK 207)

The 2024 Annual Improvements—that are limited to changes that either clarify the wording in PSAKs or correct relatively minor unintended consequences, or oversights or conflicts between the requirements in PSAKs—affect the following PSAKs:

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Accounting standards	Subject of amendments
PSAK 107: *Financial Instruments: Disclosures*	Gain or loss on derecognition
Implementation guidance on PSAK 107: *Financial Instruments: Disclosures*	Disclosure of deferred difference between fair value and transaction price
	Credit risk disclosures
PSAK 109: *Financial Instruments*	Derecognition of lease liabilities
	Transaction price
PSAK 110: *Consolidated Financial Statements*	Determination of a 'de facto agent'
PSAK 207: *Statement of Cash Flows*	Cost method

The annual improvements are effective for annual reporting periods beginning on or after 1 January 2026. Earlier application permitted.

PSAK 413: *Impairment*

PSAK 413 applies for impairment of sharia financial assets in the form of receivables (or rights to receive cash), in which the amounts and timing of cash receipts have been specified in the sharia contract. The impairment model under PSAK 413 is largely based on expected credit loss model—which reflects an unbiased and probability-weighted amount, along with reasonable and supportable information—however, it is modified so that a) it does not incorporate the impact of time value of money, and b) its general model applies two stages in accounting for changes in credit losses.

This standard also applies for accounting by the issuer of credit risk guarantee under kafalah sharia contract. The kafalah credit risk guarantee is measured at the higher of a) kafalah provision measured under PSAK 413, or b) liability initially recognized, less cumulative amount of revenue that have been recognized.

The impairment uses two models: the general model and the simplified model. The general model applies to Sharia financial assets with an initial due date more than 12 months and murabahah receivables with significant financing elements.

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Under the general model, changes in credit risks of sharia financial assets split into two stages. Stage 1 is for those that are not credit-impaired (i.e. performing assets), for which an entity is required to measure provision for 12-month expected losses. While Stage 2 is for those that are credit-impaired or for purchased or originated credit-impaired (POCI) assets, for which an entity is required to measure provision for lifetime expected losses of the assets. There is a rebuttable presumption that default occurs for those that have been 90-days past due.

The simplified model is applied to other sharia financial assets, of which the impairment is measured equal to their lifetime expected losses.

The impairment losses of sharia financial assets that are classified as fair-value-through-other comprehensive income (FVOCI) assets are recognized in OCI; while for other sharia financial assets the impairment losses are recognized in profit or loss.

PSAK 413 requires entity to disclose information, among others, quantitative data of its exposures to credit risk, its credit risk management practice, the amounts of impairment losses recognized, their changes and tracking of impairment stages.

This standard replaces ISAK 402: *Impairment of Murabahah Receivables*. It is effective for annual reporting periods beginning on or after 1 January 2027. Earlier application is permitted.

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