# SAK Indonesia

## An overview

January 2025

KPMG Indonesia

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# How to navigate this publication

This publication provides a quick overview of the key requirements of Indonesian Financial Accounting Standards (SAK Indonesia[1]), for quick reference, and is organised by topic.

This edition is designed for companies with year end of 31 December 2024. It is based on SAK Indonesia in issue at the time of this publication, and includes accounting standards and interpretations that are effective for annual reporting periods beginning on or after 1 January 2024[2] ('currently effective requirements') and *significant* new standards or amendments that are effective in later periods ('forthcoming requirements', e.g. see 8.1A).

This publication does not include specific requirements applicable for sharia transactions as prescribed by Indonesian Sharia Accounting Standards Board.

This publication also does not include specific presentation and disclosure requirements[3] set out by the Indonesian Financial Services Authority (OJK) applicable for listed and public companies under OJK oversight.

If applicable, key differences between SAK Indonesia and IFRS Accounting Standards are highlighted in relevant section of this publication; however, it is not intended to be a complete comparison of all possible differences between those two standards.

This summary is not a substitute for reading SAK Indonesia themselves. While every effort has been made to ensure accuracy, this publication is not comprehensive and information may have been omitted which may be relevant to a particular user.

Appendix 1 lists new accounting standards or amendments for 2024 and forthcoming requirements, other than minor amendments.

Appendix 2 lists currently effective standards and interpretations, including comparison of current and previous numbering of standards and interpretations, following the change in the SAK Indonesia nomenclature effective from 1 January 2024.

Information contained in this publication does not constitute advice and should not be substituted for the services of an appropriately qualified professional. No responsibility for loss to any person acting or refraining from acting as a result of any material in this publication can be accepted by Siddharta Widjaja & Rekan - Registered Public Accountants.

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[1] This publication excludes overview of requirements for other tiers of reporting i.e. *SAK Internasional*, a full adoption of IFRS Accounting Standards; *SAK Indonesia for Entities without Public Accountability* ("*SAK Indonesia for ETAP*"), that will be replaced by *SAK Indonesia for Private Entities* ("*SAK Indonesia for EP*"); or SAK Indonesia for Micro, Small and Medium Entities ("SAK Indonesia for EMKM").
[2] PSAK 226 *Accounting and Reporting by Retirement Benefit Plans* are excluded.
[3] Regulation VIII.G.7, issued originally by BAPEPAM-LK.

# 1 Background

## 1.1 Introduction

**Currently effective: Framework for Financial Reporting Standards in Indonesia (KSPKI), PSAK 201, ISAK 332**

### Indonesian Financial Accounting Standards (SAK Indonesia)

- SAK Indonesia is one of four pillars of the applicable financial reporting framework in Indonesia. Other pillars are *SAK Internasional*, *SAK Indonesia for ETAP*[4] and *SAK Indonesia for EMKM*.
- Individual accounting standards (PSAKs) and interpretations (ISAKs), collectively referred to as the Accounting Standards, are developed by Indonesian Financial Accounting Standards Board (DSAK-IAI). PSAKs and ISAKs specific for sharia transactions are developed by Indonesian Sharia Accounting Standards Board (DSAS-IAI).
- SAK Indonesia includes accounting pronouncements issued by Indonesian capital market regulator (OJK) for entities under its oversight.[5]
- SAK Indonesia are designed primarily for use by profit-oriented entities.[6]

### Compliance with SAK Indonesia

- Any entity claiming compliance with the SAK Indonesia complies with all accounting standards and interpretations, including disclosure requirements, and makes an explicit and unreserved statement of compliance with SAK Indonesia.
- The overriding requirement of SAK Indonesia is for the financial statements to give a fair presentation (or a true and fair view).

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[4] *SAK Indonesia for ETAP* will be replaced by *SAK Indonesia for EP,* effective 1 January 2025.
[5] In case if those pronouncements conflict with requirements in the Accounting Standards, an entity cannot claim compliance to SAK Indonesia if it departs from the requirements in the Accounting Standards (and instead apply the accounting pronouncements).
[6] ISAK 335 *Presentation of Financial Statements of Non-Profit Oriented ("NPO") Entities* sets out presentation of financial statements for NPO. See section 5.16.

# 1.2 The Conceptual Framework

**Currently effective: Conceptual Framework for Financial Reporting, ISAK 332**

## Purpose

- The Conceptual Framework is a point of reference:
  - for DSAK-IAI in developing and maintaining accounting standards and interpretations; and
  - for preparers of financial statements in the absence of specific guidance in the SAK Indonesia.
  - The Conceptual Framework does not override any specific accounting standard.

## Objective of general purpose financial reporting

- The objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity.

## Qualitative characteristics of useful financial information

- For financial information to be useful, it needs to be relevant to users and faithfully represent what it purports to represent. The usefulness of financial information is enhanced by its comparability, verifiability, timeliness and understandability.

## Financial statements and the reporting entity

- The Conceptual Framework sets the objective of financial statements, describes their types and provides the definition of a reporting entity.
- Financial statements are prepared on a going concern basis, unless management intends, or has no alternative other than, to liquidate the entity or to stop trading.

## The elements of financial statements

- The Conceptual Framework sets out the definitions of ‘assets’ and ‘liabilities’. The definitions of ‘equity’, ‘income’ and ‘expenses’ are derived from the definitions of assets and liabilities.

## Recognition and derecognition

- Any item meeting the definition of an asset, a liability, equity, income or expense is recognised in the financial statements, unless it affects the relevance or the faithful representation of the information provided.
- An item is derecognised from the financial statements when it no longer meets the definition of an asset or liability. This is accompanied by appropriate presentation and disclosure.

## Measurement

- The Conceptual Framework describes two measurement bases and the factors to consider when selecting a measurement basis.
  - *Historical cost:* Under the historical cost basis, an asset or liability is measured using information derived from the transaction price and that measurement is not changed unless it relates to impairment of an asset or a liability becoming onerous.
  - *Current value*: Under the current value basis, an asset or liability is measured using information that reflects current conditions at the measurement date.
- Current value measurement bases include fair value, value in use and fulfilment value that are based on present values of cash flows, and current cost.

## Presentation and disclosure

- The Conceptual Framework includes high-level concepts that describe how information is presented and disclosed in financial statements.
- The Conceptual Framework also outlines principles for the DSAK-IAI to follow when deciding whether an item of income or expense should be included in profit or loss or other comprehensive income (OCI) and if it should be reclassified from OCI to profit or loss.

# 2 General issues

## 2.1 Form and components of financial statements

**Currently effective: PSAK 110, PSAK 111, PSAK 201, PSAK 227, PSAK 228**

### Complete set of financial statements

- A complete set of financial statements comprises:
  - a statement of financial position;
  - a statement of profit or loss and other comprehensive income;
  - a statement of changes in equity;
  - a statement of cash flows;
  - notes, including material accounting policy information;
  - comparative information;
  - a statement of financial position as at the beginning of the preceding period ('third statement of financial position') in certain circumstances; and
  - disclosures that are not material need not be provided in a set of financial statements, even if the Accounting Standards contain a list of specific requirements or describe them as minimum requirements.

### Reporting date

- The reporting date may change only in exceptional circumstances.

### Comparative information

- Comparative information is required for the immediately preceding period only. Additional comparative information may be presented if it is compliant with the Accounting Standards; however, it need not comprise a complete set of financial statements.

## Types of financial statements

- The Accounting Standards set out the requirements that apply to consolidated, individual and separate financial statements.

## Consolidated financial statements

- An entity with one or more subsidiaries presents consolidated financial statements unless it is a qualifying investment entity (see 5.6). Unlike IFRS Accounting Standards, there is no exemption from presenting consolidated financial statements (see 2.5).

> *In contrast, IFRS 10 allows an entity not to present consolidated financial statements if specific exemption criteria are met.*

## Individual financial statements

- An entity with no subsidiaries but with investments in associates or joint ventures prepares individual financial statements if those investments are accounted for under the equity method, unless specific exemption criteria are met.

## Separate financial statements

- Under PSAK 227, stand-alone parent-only financial statement can only be presented as an appendix to consolidated financial statements.

> *In contrast, IFRS Accounting Standards allow stand-alone separate financial statements of the parent entity. Under IAS 27, a parent, an investor in an associate or a venturer in a joint venture that is not required to prepare consolidated or individual financial statements is permitted, but not required, to present separate financial statements. Alternatively, separate financial statements may be prepared in addition to consolidated or individual financial statements.*

## Presenting pro forma information

- In our view, it is acceptable to present pro forma information if it is allowed by relevant regulations and stock exchange rules and if certain criteria are met.

# 2.2 Changes in equity

**Currently effective: PSAK 201**

## General

- A statement of changes in equity (and related notes) reconciles opening to closing amounts for each component of equity.
- All owner-related changes in equity are presented in the statement of changes in equity separately from non-owner changes in equity.

## Entities with no equity

- Entities that have no equity as defined in the Accounting Standards may need to adopt the financial statement presentation of members' or unit holders' interests.

## Changes in accounting policies and errors

- Generally, accounting policy changes and corrections of prior-period errors are made by adjusting opening equity and restating comparatives unless this is impracticable.
- An entity presents separately in the statement of changes in equity:
  - the total adjustment resulting from changes in accounting policies; and
  - the total adjustment resulting from the correction of errors.

# 2.3 Statement of cash flows

**Currently effective: PSAK 207**

## Cash and cash equivalents

- Cash and cash equivalents for the purposes of the statement of cash flows include certain short-term investments and, in some cases, bank overdrafts.

## Operating, investing and financing activities

- The statement of cash flows presents cash flows during the period, classified by operating, investing and financing activities.
- An entity presents its cash flows in the manner most appropriate to its business.
- An entity chooses its own policy for classifying each of interest and dividends. It applies the chosen presentation method consistently.
- Taxes paid are classified as operating activities unless it is practicable to identify them with, and therefore classify them as, financing or investing activities.

## Direct vs indirect method

- Cash flows from operating activities may be presented under either the direct method or the indirect method.

## Foreign currency cash flows

- Foreign currency cash flows are translated at the exchange rates at the dates of the cash flows (or using averages when appropriate).

## Offsetting

- Generally, all financing and investing cash flows are reported gross. Cash flows are offset only in limited circumstances.

## Changes in liabilities related to financing activities

- To help users evaluate changes in liabilities related to financing activities, an entity provides a disclosure, including cash and non-cash changes.

## Reverse factoring arrangements

- An entity that is the customer in a reverse factoring (supplier finance) arrangement discloses specific information that enables users of its financial statements to assess the effects of the arrangement on its liabilities and cash flows and its exposure to liquidity risk.

## 2.4 Fair value measurement

**Currently effective: PSAK 113**

### Scope

- The accounting standard applies to most fair value measurements and disclosures (including measurements based on fair value) that are required or permitted by other accounting standards.

### Fair value principles

- Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date – i.e. an exit price.
- Market participants are independent of each other, they are knowledgeable and have a reasonable understanding of the asset or liability, and they are willing and able to transact.
- Fair value measurement assumes that a transaction takes place in the principal market (i.e. the market with the greatest volume and level of activity) for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

### Valuation approaches and techniques

- There are three general approaches to valuation, with various techniques applied under those approaches:
  - the market approach – e.g. guideline public company method;
  - the income approach – e.g. discounted cash flows; and
  - the cost approach – e.g. depreciated replacement cost.

### Inputs to valuation techniques

- A fair value hierarchy is established based on the inputs to valuation techniques used to measure fair value.
- A premium or discount (e.g. a control premium) may be an appropriate input to a valuation technique, but only if it is consistent with the relevant unit of account.

### Fair value hierarchy

- The inputs are categorised into three levels (Levels 1, 2 and 3), with the highest priority given to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority given to unobservable inputs.
- Appropriate valuation technique(s) should be used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

### Measuring fair value

- Fair value on initial recognition generally equals the transaction price.
- Non-financial assets are measured based on their 'highest and best use' – i.e. the use that would maximise the value of the asset (or group of assets) for a market participant.
- In the absence of quoted prices for the transfer of the instrument, a liability or an entity's own equity instrument is valued from the perspective of a market participant that holds the corresponding asset. Failing that, other valuation techniques are used to value the liability or own equity instrument from the perspective of a market participant that owes the liability or has issued the equity instrument.
- The fair value of a liability reflects non-performance risk, which is assumed to be the same before and after the transfer of the liability.
- Certain groups of financial assets and financial liabilities with offsetting market or credit risks may be measured based on their net risk exposure to a particular risk.
- For assets or liabilities with bid and ask prices, an entity uses the price within the bid-ask spread that is most representative of fair value in the circumstances. The use of bid prices for assets and ask prices for liabilities is permitted.
- Guidance is provided on measuring fair value when there has been a decline in the volume or level of activity in a market, and when transactions are not orderly.

### Disclosures

- A comprehensive disclosure framework is designed to help users of financial statements assess the valuation techniques and inputs used in recurring or non-recurring fair value measurements, and the effect on profit or loss or other comprehensive income of recurring fair value measurements that are based on significant unobservable inputs.

# 2.5 Consolidation

**Currently effective: PSAK 110**

PSAK 110 does not provide exemptions for not presenting consolidated financial statements for certain intermediary entities

*In contrast, IFRS 10 allows an entity not to present consolidated financial statements if specific exemption criteria are met.*

## Entities included in consolidated financial statements

- An entity that controls one or more entities presents consolidated financial statements unless it is a qualifying investment entity (see 5.6).
- Venture capital organisations, mutual funds, unit trusts and similar entities that do not qualify as investment entities (see 5.6) are not exempt from the requirements of the accounting standard and their subsidiaries are consolidated.

## Single control model

- An investor controls an investee when the investor is exposed to (has rights to) variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee. Control involves power, exposure to variability of returns and a linkage between the two.
- Control is assessed on a continuous basis.

## Step 1 – Understand the investee

- Control is generally assessed at the level of the legal entity. However, an investor may have control over only specified assets and liabilities of the legal entity (a 'silo'), in which case control is assessed at that level if certain conditions are met.
- The purpose and design of the investee does not in itself determine whether the investor controls the investee. However, it plays a role in the judgement applied by the investor in all areas of the control model. Assessing purpose and design includes considering the risks that the investee was designed to create and to pass on to the parties involved in the transaction, and whether the investor is exposed to some or all of those risks.
- The 'relevant activities' of the investee – i.e. the activities that significantly affect the investee's returns – need to be identified. In addition, the investor determines whether decisions about the relevant activities are made based on voting rights.

### Step 2 – Power over relevant activities

- Only substantive rights are considered in assessing whether the investor has power over the relevant activities of the investee.
- If voting rights are relevant for assessing power, then the investor considers potential voting rights that are substantive, rights arising from other contractual arrangements and factors that may indicate de facto power – e.g. the investor has a dominant shareholding and the other vote holders are sufficiently dispersed.
- If voting rights are not relevant for assessing power, then the investor considers evidence of the practical ability to direct the relevant activities (the most important factor), indications of a special relationship with the investee, and the size of the investor's exposure to variable returns from its involvement with the investee.

### Step 3 – Exposure to variability in returns

- Returns are broadly defined and include not only direct returns (e.g. dividends, interest and changes in the fair value of an investment), but also indirect returns (e.g. achieving economies of scale, cost savings and other synergies).

### Step 4 – Linkage

- If the investor (decision maker) is an agent, then the link between power and returns is absent and the decision maker's delegated power is treated as if it were held by its principal(s).
- To determine whether it is an agent, the decision maker considers:
  - substantive removal and other rights held by a single or multiple parties;
  - whether its remuneration is on arm's length terms;
  - its other economic interests; and
  - the overall relationship between itself and other parties.
- An entity takes into account the rights of parties acting on its behalf in assessing whether it controls an investee.

### Subsidiaries' accounting periods and policies

- The difference between the reporting date of a parent and its subsidiary cannot be more than three months. Adjustments are made for the effects of significant transactions and events between the two dates.
- Uniform accounting policies are used throughout the group.

## Non-controlling interests

- 'Ordinary' non-controlling interests (NCI) are measured at fair value, or at their proportionate interest in the net assets of the acquiree, at the date of acquisition. Ordinary NCI are present ownership interests that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. 'Other' NCI are generally measured at fair value.
- Losses in a subsidiary may create a debit balance in NCI.
- NCI in the statement of financial position are classified as equity but are presented separately from the parent shareholders' equity.
- Profit or loss and other comprehensive income (OCI) for the period are allocated between NCI and the shareholders of the parent.

## Intra-group transactions

- Intra-group transactions are eliminated in full.

## Loss of control

- On the loss of control of a subsidiary, the assets and liabilities of the subsidiary and the carrying amount of the NCI are derecognised. The consideration received and any retained interest (measured at fair value) are recognised. Amounts recognised in OCI are reclassified as required by other accounting standards. Any resulting gain or loss is recognised in profit or loss.

## Changes in ownership interest while retaining control

- Changes in the parent's ownership interest in a subsidiary without a loss of control are accounted for as equity transactions and no gain or loss is recognised.

## Disclosures

- Detailed disclosures are required, including in respect of *unconsolidated* structured entities (see 5.10).

## 2.6 Business combinations

**Currently effective: PSAK 103, PSAK 113**

### Scope

- Business combinations are accounted for under the acquisition method (acquisition accounting), with limited exceptions.

### Identifying a business combination

- A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses.
- A business is an integrated set of activities and assets that is capable of being conducted and managed to provide goods or services to customers, generate investment income (e.g. dividends or interest) or generate other income from ordinary activities.

### Identifying the acquirer

- The acquirer in a business combination is the combining entity that obtains control of the other combining business or businesses.

### Determining the date of acquisition

- The date of acquisition is the date on which the acquirer obtains control of the acquiree.

### Consideration transferred

- Consideration transferred by the acquirer, which is generally measured at fair value at the date of acquisition, may include assets transferred, liabilities incurred by the acquirer to the previous owners of the acquiree and equity interests issued by the acquirer.

### Determining what is part of the business combination

- Any items that are not part of the business combination transaction are accounted for outside the acquisition accounting.

### Identifiable assets acquired and liabilities assumed

- The identifiable assets acquired and the liabilities assumed are recognised separately from goodwill at the date of acquisition if they meet the definition of assets and liabilities and are exchanged as part of the business combination. They are measured at the date of acquisition at their fair values, with limited exceptions.

### Measurement of non-controlling interests

- The acquirer in a business combination can elect, on a transaction-by-transaction basis, to measure 'ordinary' NCI at fair value, or at their proportionate interest in the net assets of the acquiree, at the date of acquisition.
- 'Other' NCI are generally measured at fair value.

### Goodwill or a gain on bargain purchase

- Goodwill is measured as a residual and is recognised as an asset. When the residual is a deficit (gain on a bargain purchase), it is recognised in profit or loss after reassessing the values used in the acquisition accounting.

### Subsequent measurement and accounting

- Adjustments to the acquisition accounting during the 'measurement period' reflect additional information about facts and circumstances that existed at the date of acquisition.
- In general, items recognised in the acquisition accounting are measured and accounted for in accordance with the relevant accounting standards subsequent to the business combination.

# 2.7 Foreign currency translation

**Currently effective: PSAK 221, PSAK 229, ISAK 122**

**Forthcoming: Amendments to PSAK 221**

## Determining the functional currency

- An entity measures its assets, liabilities, income and expenses in its functional currency, which is the currency of the primary economic environment in which it operates.

## Translation of foreign currency transactions

- Transactions that are not denominated in an entity's functional currency are foreign currency transactions. They are translated at actual rates or appropriate averages; exchange differences arising on translation are generally recognised in profit or loss.

## Translation of the financial statements of foreign operations

- The financial statements of foreign operations are translated as follows:
  - assets and liabilities are translated at the closing rate;
  - income and expenses are translated at actual rates or appropriate averages; and
  - equity components are translated at the exchange rates at the date of the relevant transactions.
- Exchange differences arising on the translation of the financial statements of a foreign operation are recognised in other comprehensive income (OCI) and accumulated in a separate component of equity. The amount attributable to any non-controlling interests (NCI) is allocated to, and recognised as part of, NCI.

## Translation from the functional currency into a different presentation currency

- An entity may present its financial statements in a currency other than its functional currency (presentation currency). An entity that translates its financial statements into a presentation currency other than its functional currency applies the same method as for translating the financial statements of a foreign operation.

## Foreign operations with the functional currency of a hyperinflationary economy

- If the functional currency of a foreign operation is the currency of a hyperinflationary economy, then its financial statements are first adjusted to reflect the purchasing power at the current reporting date and then translated into a presentation currency using the exchange rate at the current reporting date. If the presentation currency is not the currency of a hyperinflationary economy, then comparative amounts are not restated.

## Sale or liquidation of a foreign operation

- If an entity disposes of its entire interest in a foreign operation, or loses control over a foreign subsidiary or retains neither joint control nor significant influence over an associate or joint arrangement as a result of a partial disposal, then the cumulative exchange differences recognised in OCI are reclassified to profit or loss.
- A partial disposal of a foreign subsidiary without the loss of control leads to a proportionate reclassification of the cumulative exchange differences in OCI to NCI.
- A partial disposal of a joint arrangement or an associate with retention of either joint control or significant influence results in a proportionate reclassification of the cumulative exchange differences recognised in OCI to profit or loss.

## Convenience translations

- An entity may present supplementary financial information in a currency other than its presentation currency if certain disclosures are made.

# 2.8 Accounting policies, errors and estimates

**Currently effective: PSAK 201, PSAK 208**

## Selection of accounting policies

- Accounting policies are the specific principles, bases, conventions, rules and practices that an entity applies in preparing and presenting financial statements.
- If the Accounting Standards do not cover a particular issue, then management uses its judgement based on a hierarchy of accounting literature.
- Unless otherwise specifically permitted by an accounting standard, the accounting policies adopted by an entity are applied consistently to all similar items.

## Disclosure of material accounting policy information

- An entity is required to disclose material accounting policy information. In assessing whether this information is material, an entity considers the needs of its users and both the size and nature of the transactions, other events or conditions.
- Generally, it is more useful to users when an entity provides accounting policy information that reflects its specific circumstances, including judgements made, rather than boilerplate information or just the requirements of the applicable accounting standard.

## Changes in accounting policy and correction of prior-period errors

- An accounting policy is changed in response to a new or revised accounting standard, or on a voluntary basis if the new policy provides reliable and more relevant information.
- Generally, accounting policy changes and corrections of prior-period errors are made by adjusting opening equity and restating comparatives unless this is impracticable.

## Accounting estimates

- Accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty.
- Developing an accounting estimate involves the use of judgements or assumptions based on the latest available, reliable information.

## Changes in accounting estimates

- Changes in accounting estimates are accounted for prospectively.
- If it is difficult to determine whether a change is a change in accounting policy or a change in estimate, then it is treated as a change in estimate and appropriate disclosure is given.

## Change in classification or presentation

- If the classification or presentation of items in the financial statements is changed, then comparatives are restated unless this is impracticable.

## Key judgements and estimation uncertainties

- Disclosure is required for judgements that have a significant impact on the financial statements and for key sources of estimation uncertainty.

# 2.9 Events after the reporting date

**Currently effective: PSAK 201, PSAK 210**

### Adjusting events

- The financial statements are adjusted to reflect events that occur after the reporting date, but before the financial statements are authorised for issue by management, if those events provide evidence of conditions that existed at the reporting date.

### Non-adjusting events

- Financial statements are not adjusted for events that are a result of conditions that arose after the reporting date, except when the going concern assumption is no longer appropriate.

### Identifying the key event

- It is necessary to determine the underlying causes of an event and its timing to determine whether the event is adjusting or non-adjusting.

### Current vs non-current classification

- The classification of liabilities as current or non-current is based on circumstances at the reporting date (see 3.1).

### Earnings per share

- Earnings per share is restated to include the effect on the number of shares of certain share transactions that happen after the reporting date.

### Going concern

- If management determines that the entity is not a going concern after the reporting date but before the financial statements are authorised for issue, then the financial statements are not prepared on a going concern basis.

# 2.10 Hyperinflation

**Currently effective: PSAK 221, PSAK 229, ISAK 107**

## General requirements

- If an entity's functional currency is hyperinflationary, then its financial statements are restated to express all items in the measuring unit current at the reporting date.

## Indicators of hyperinflation

- Hyperinflation is indicated by the characteristics of the country's economy, and it is a matter of judgement when restatement for hyperinflation becomes necessary.

## Restating the financial statements for hyperinflation

- *Step 1:* Restate the statement of financial position at the beginning of the reporting period by applying the change in the price index during the current period to all items.
- *Step 2*: Restate the statement of financial position at the end of the reporting period by adjusting non-monetary items to current purchasing power terms.
- *Step 3:* Restate the statement of profit or loss and other comprehensive income by applying the change in the price index from the dates on which items of income and expenses were initially recorded.
- *Step 4:* Calculate the gain or loss on the net monetary position, which is recognised in profit or loss and disclosed separately.

## Ceasing hyperinflationary accounting

- If an entity's functional currency ceases to be hyperinflationary, then the amounts reported in the latest financial statements restated for hyperinflation are used as the basis for the carrying amounts in subsequent financial statements.

## Supplementary historical cost information

- If an entity presents financial statements restated for hyperinflation, then in our view it is not appropriate to present additional supplementary financial information prepared on a historical cost basis.

# 3 Statement of financial position

## 3.1 General

**Currently effective: PSAK 201**

### Format of statement of financial position

- Although the Accounting Standards require certain items to be presented in the statement of financial position, there is no prescribed format.
- Generally, an entity presents its statement of financial position classified between current and non-current assets and liabilities. An entity may present assets and liabilities in order of liquidity if this presentation provides reliable and more relevant information.

### Current vs non-current

- An asset is classified as current if it is expected to be realised in the normal operating cycle or within 12 months, it is held primarily for trading purposes or it is cash or a cash equivalent that is not restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.
- A liability is classified as current if it is expected to be settled in the normal operating cycle, it is held primarily for trading purposes, it is due within 12 months or there is no right – that has substance – at the reporting date to defer its settlement for at least 12 months.
- A liability that is payable on demand because certain conditions are breached before or at the reporting date is classified as current even if the lender has agreed, after the reporting date but before the financial statements are authorised for issue, not to demand repayment.
- Assets and liabilities that are part of working capital are classified as current even if they are due to be settled more than 12 months after the reporting date.

### Offsetting

- A financial asset and a financial liability are offset if the criteria are met. Similarly, income tax balances are offset under certain circumstances. Other non-financial assets and non-financial liabilities cannot be offset.

# 3.2 Property, plant and equipment

**Currently effective: PSAK 113, PSAK 216, ISAK 101, ISAK 336**

## Initial recognition

- Property, plant and equipment is initially recognised at cost.
- Cost includes all expenditure directly attributable to bringing the asset to the location and working condition for its intended use.
- Cost includes the estimated cost of dismantling and removing the asset and restoring the site.

## Subsequent measurement

- Subsequent expenditure is capitalised if it is probable that it will give rise to future economic benefits.
- Changes to an existing decommissioning or restoration obligation are generally added to or deducted from the cost of the related asset.

## Depreciation

- Property, plant and equipment is depreciated over its expected useful life. Land typically has unlimited useful life and is not depreciated.
- Estimates of useful life and residual value, and the method of depreciation, are reviewed as a minimum at each reporting date. Any changes are accounted for prospectively as a change in estimate.
- No specific depreciation method is required. Possible methods include the straight-line method, the diminishing-balance (or reducing-balance) method, the sum-of-the-units (or units-of-production) method, the annuity method and renewals accounting. The use of the revenue-based depreciation method is prohibited.

## Component accounting

- When an item of property, plant and equipment comprises individual components for which different depreciation methods or rates are appropriate, each component is depreciated separately.

### Revaluations

- Property, plant and equipment may be revalued to fair value if fair value can be measured reliably. All items in the same class are revalued at the same time, and the revaluations are kept up to date.
- When the revaluation model is chosen, an increase in fair value is recognised in other comprehensive income to the extent that it does not reverse a previous impairment loss. If it does, then the increase is recognised in profit or loss.

### Retirements and disposals

- The gain or loss on disposal is the difference between the net proceeds received and the carrying amount of the asset.
- The date of disposal is the date on which the recipient obtains control of the asset (see 4.2).
- The leases standard applies to a disposal made as part of a sale-and-leaseback transaction (see 5.1).
- Compensation for the loss or impairment of property, plant and equipment is recognised in profit or loss when it is receivable.

### Land rights in Indonesia

- For discussions of accounting for land rights in Indonesia, see section 5.1.

# 3.3 Intangible assets and goodwill

**Currently effective: PSAK 103, PSAK 113, PSAK 238, ISAK 112, ISAK 232**

## Definitions

- An intangible asset is an identifiable non-monetary asset without physical substance.
- An intangible asset is ‘identifiable’ if it is separable or arises from contractual or legal rights.

## Initial recognition and measurement

- In general, intangible assets are initially recognised at cost.
- The initial measurement of an intangible asset depends on whether it has been acquired separately, has been acquired as part of a business combination or was internally generated.
- Goodwill is recognised only in a business combination and is measured as a residual.
- Internal development expenditure is capitalised if specific criteria are met. These capitalisation criteria are applied to all internally developed intangible assets.
- Internal research expenditure is expensed as it is incurred.
- Expenditure relating to internally generated goodwill, customer lists, start-up costs, training costs, advertising and promotional activities, and relocation or a reorganisation is expensed as it is incurred.

## Indefinite useful lives

- Acquired goodwill and other intangible assets with indefinite useful lives are not amortised, but instead are subject to impairment testing at least annually.

## Finite useful lives

- Intangible assets with finite useful lives are amortised over their expected useful lives.
- No specific amortisation method is required. Possible methods include the straight-line method, the diminishing (or reducing-balance) method and the units-of-production method. The use of the revenue-based amortisation method is restricted.

### Subsequent expenditure

- Subsequent expenditure on an intangible asset is capitalised only if the definition of an intangible asset and the recognition criteria are met.

### Revaluations

- Intangible assets cannot be revalued to fair value unless there is an active market.

### Retirements and disposals

- The gain or loss on disposal is the difference between the net proceeds received and the carrying amount of the asset.
- The date of disposal is the date on which the recipient obtains control of the asset (see 4.2).

# 3.4 Investment property

**Currently effective: PSAK 113, PSAK 116, PSAK 216, PSAK 240, ISAK 331**

## Scope

- Investment property is property (land or building) held by the owner or lessee to earn rentals or for capital appreciation, or both.
- ISAK 331 interprets that a structure must have 'physical characteristic generally associated with a building'[7] (e.g. walls, floors, and a roof) in order to meet the definition of building and to account for it as an investment property.

*Unlike ISAK 331, IFRS Accounting Standards is silent on the notion of 'physical characteristics generally associated with a building' as a determining factor in evaluating whether a physical structure meets the definition of building, and thus qualifies for an investment property.*

- A portion of a dual-use property is classified as investment property only if the portion could be sold or leased out under a finance lease. Otherwise, the entire property is classified as property, plant and equipment, unless the portion of the property held for own use is insignificant.
- If a lessor provides ancillary services and those services are a relatively insignificant component of the arrangement as a whole, then the property is classified as investment property.

## Recognition and measurement

- Investment property is initially recognised at cost.
- After initial recognition, all investment property is measured under either:
  - the fair value model, subject to limited exceptions; or
  - the cost model.
- When the fair value model is chosen, changes in fair value are recognised in profit or loss.
- Subsequent expenditure is capitalised only if it is probable that it will give rise to future economic benefits.

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[7] Whilst the notion of 'physical characteristic generally associated with a building' in ISAK 331 is largely based on discussions by IFRS Interpretation Committee ("IFRIC"), it does not finalize its view because this matter is not considered widespread.

## Reclassification

- Transfers to or from investment property are made only if there has been a change in the use of the property.
- The intention to sell an investment property without redevelopment does not justify reclassification from investment property into inventory; the property continues to be classified as investment property until disposal unless it is classified as held-for-sale.

## Disclosures

- Disclosure of the fair value of all investment property is required, regardless of the measurement model used.

# 3.5 Associates and the equity method

**Currently effective: PSAK 228**

## Assessing whether an investee is an associate

- The definition of an associate is based on significant influence, which is the power to participate in the financial and operating policy decisions of an entity.
- There is a rebuttable presumption of significant influence if an entity holds 20 percent or more of the voting rights of another entity.
- Potential voting rights that are currently exercisable are considered in assessing significant influence.

## Exceptions from applying the equity method

- Generally, associates and joint ventures are accounted for under the equity method in the consolidated financial statements.
- Venture capital organisations, mutual funds, unit trusts and similar entities, including investment-linked insurance funds, may elect to account for investments in associates and joint ventures at fair value through profit or loss on an investment-by-investment basis.
- Equity accounting is not applied to an investee that is acquired with a view to its subsequent disposal if the criteria are met for classification as held-for-sale (see 5.4).

## Applying the equity method

- In applying the equity method, an investee's accounting policies should be consistent with those of the investor.
- The investee's reporting date cannot differ from that of the investor by more than three months, and should be consistent from period to period. Adjustments are made for the effects of significant events and transactions between the two dates.
- If an equity-accounted investee incurs losses, then the carrying amount of the investor's interest is reduced but not to below zero. Further losses are recognised as a liability by the investor only to the extent that the investor has an obligation to fund losses or has made payments on behalf of the investee.
- Unrealised profits and losses on transactions with associates are eliminated to the extent of the investor's interest in the investee.

### Changes in the status of equity-accounted investees

- On the loss of significant influence or joint control, the fair value of any retained investment is taken into account in calculating the gain or loss on the transaction that is recognised in profit or loss. Amounts recognised in other comprehensive income are reclassified to profit or loss or transferred within equity as required by other accounting standards.

# 3.6 Joint arrangements

**Currently effective: PSAK 111**

## Identifying joint arrangements

- A joint arrangement is an arrangement over which two or more parties have joint control. There are two types of joint arrangements: a joint operation and a joint venture.

## Classifying joint arrangements

- In a joint operation, the parties to the arrangement have rights to the assets and obligations for the liabilities related to the arrangement.
- In a joint venture, the parties to the arrangement have rights to the net assets of the arrangement.
- A joint arrangement not structured through a separate vehicle is a joint operation.
- A joint arrangement structured through a separate vehicle may be either a joint operation or a joint venture. Classification depends on the legal form of the vehicle, contractual arrangements and an assessment of 'other facts and circumstances'.

## Accounting for joint arrangements

- A joint venturer accounts for its interest in a joint venture in the same way as an investment in an associate – i.e. generally under the equity method (see 3.5).
- A joint operator recognises its assets, liabilities and transactions – including its share in those arising jointly – in both its consolidated and separate financial statements. These assets, liabilities and transactions are accounted for in accordance with the relevant accounting standards.
- A party to a joint venture that does not have joint control accounts for its interest as a financial instrument, or under the equity method if significant influence exists (see 3.5).
- A party to a joint operation that does not have joint control recognises its assets, liabilities and transactions – including its share in those arising jointly – if it has rights to the assets and obligations for the liabilities of the joint operation.

# 3.7 Investments in separate financial statements

**Currently effective: PSAK 227**

## Preparation of separate financial statements

- Stand-alone parent-only financial statement can only be presented as an appendix to consolidated financial statements.

*In contrast, under IFRS Accounting Standards, a parent or an investor in an associate or joint venture that is not required to prepare consolidated or individual financial statements is permitted, but not required, to present separate financial statements. Alternatively, separate financial statements may be prepared in addition to consolidated or individual financial statements.*

## Investments in subsidiaries, associates and joint ventures

- In separate financial statements, investments in subsidiaries, associates and joint ventures are accounted for either:
  - at cost;
  - in accordance with the financial instruments standard (see section 7); or
  - under the equity method (see 3.5).
- Dividends from a subsidiary, associate or joint venture are recognised in profit or loss unless the investor elects to apply the equity method. If the investor applies the equity method, then it recognises the dividend as a reduction of the carrying amount of the investment.
- If an entity elects to account for investments in subsidiaries, associates and joint ventures at cost, then the impairment requirements of the impairment standard apply (see 3.10).

# 3.8 Inventories

**Currently effective: PSAK 202**

## Definition

- Inventories are assets:
  - held for sale in the ordinary course of business (finished goods);
  - in the process of production for sale (work in progress); or
  - in the form of materials or supplies to be consumed in the production process or in the rendering of services (raw materials and consumables).

## Measurement

- Generally, inventories are measured at the lower of cost and net realisable value.
- Cost includes all direct expenditure to get inventory ready for sale, including attributable overheads.
- The cost of inventory is generally determined under the first-in, first-out (FIFO) or weighted-average method. The use of the last-in, first-out (LIFO) method is prohibited.
- Inventory costing methods – e.g. the standard cost or retail methods – may be used when the results approximate the actual cost.
- If the net realisable value of an item that has been written down subsequently increases, then the write-down is reversed.

## Recognition as an expense

- The cost of inventory is recognised as an expense when the inventory is sold.

# 3.9 Biological assets

**Currently effective: PSAK 113, PSAK 241**

## Scope

- Living animals or plants, except for bearer plants, are in the scope of the accounting standard if they are subject to a process of management of biological transformation.
- Agricultural produce at the point of harvest is also in the scope of the accounting standard.

## Measurement

- Biological assets in the scope of the accounting standard are measured at fair value less costs to sell unless it is not possible to measure fair value reliably, in which case they are measured at cost.
- Gains and losses from changes in fair value less costs to sell are recognised in profit or loss.

## Agricultural produce

- Agricultural produce harvested from a biological asset is measured at fair value less costs to sell at the point of harvest. Before the point of harvest, it is part of the biological asset from which it will be harvested. After harvest, the inventories standard generally applies (see 3.8).

# 3.10 Impairment of non-financial assets

**Currently effective: PSAK 113, PSAK 236, ISAK 110**

## Scope

- The impairment standard covers a variety of non-financial assets, including:
  - property, plant and equipment;
  - intangible assets and goodwill; and
  - investments in subsidiaries, associates and joint ventures.

## Identifying the level at which assets are tested for impairment

- Whenever possible, an impairment test is performed for an individual asset. Otherwise, assets are tested for impairment in cash-generating units (CGUs). Goodwill is always tested for impairment at the level of a CGU or a group of CGUs.
- A CGU is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups thereof.
- Goodwill is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination from which it arose. The allocation is based on the level at which goodwill is monitored internally, restricted by the size of the entity's operating segments before aggregation (see 5.2).

## Determining when to test for impairment

- Impairment testing is required when there is an indication of impairment.
- Annual impairment testing is required for goodwill and intangible assets that either are not yet available for use or have an indefinite useful life. This impairment test may be performed at any time during the year, provided that it is performed at the same time each year.

### Measuring an impairment loss

- An impairment loss is recognised if an asset's or CGU's carrying amount exceeds the higher of its fair value less costs of disposal and value in use.
- Estimates of future cash flows used in the value in use calculation are specific to the entity, and need not be the same as those of market participants. The discount rate used in the value in use calculation reflects the market's assessment of the risks specific to the asset or CGU, as well as the time value of money.

### Recognising an impairment loss

- An impairment loss for a CGU is allocated first to any goodwill and then pro rata to other assets in the CGU that are in the scope of the accounting standard.
- An impairment loss is generally recognised in profit or loss.

### Reversal of impairment

- Reversals of impairment are recognised, other than for impairments of goodwill.
- A reversal of an impairment loss is generally recognised in profit or loss.

## 3.11 [not used]

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# 3.12 Provisions, contingent assets and liabilities

**Currently effective: PSAK 237, ISAK 101, ISAK 121**

## Definitions

- A provision is a liability of uncertain timing or amount that arises from a past event that is expected to result in an outflow of the entity's resources.
- A contingent liability is a present obligation with uncertainties about either the probability of outflows of resources or the amount of the outflows, or a possible obligation whose existence is uncertain.
- A contingent asset is a possible asset whose existence is uncertain.

## Recognition

- A provision is recognised for a present legal or constructive obligation arising from a past event if there is a probable outflow of resources and the amount can be estimated reliably. 'Probable' in this context means more likely than not.
- A constructive obligation arises when an entity's actions create valid expectations of third parties that it will accept and discharge certain responsibilities. An entity's public statement – e.g. of its commitment to reduce or offset its emissions – does not automatically create a valid expectation; judgement is required based on the specific facts and circumstances.
- A provision is not recognised for future operating losses.
- A provision for restructuring costs is not recognised until there is a formal plan and details of the restructuring have been communicated to those affected by the plan.
- Provisions are not recognised for repairs or maintenance of own assets or for self-insurance before an obligation is incurred.
- A provision is recognised for a contract that is onerous.
- Contingent liabilities are recognised only if they are present obligations assumed in a business combination – i.e. there is uncertainty about the outflows but not about the existence of an obligation. Otherwise, contingent liabilities are disclosed in the notes to the financial statements unless the likelihood of an outflow of resources is remote.
- Contingent assets are not recognised in the statement of financial position. If an inflow of economic benefits is probable, then details are disclosed in the notes to the financial statements.

### Measurement

- A provision is measured at the 'best estimate' of the expenditure to be incurred.
- Provisions are discounted if the effect of discounting is material.

### Reimbursements

- A reimbursement right is recognised as a separate asset when recovery is virtually certain, capped at the amount of the related provision.

### Onerous contracts

- An 'onerous contract' is one in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. If a contract can be terminated without paying a penalty, then it is not onerous.
- In assessing whether a contract is onerous, an entity needs to consider:
  - the unavoidable cost of meeting the contractual obligations, which is the lower of the net costs of fulfilling the contact and the cost of terminating it; and
  - the economic benefits expected to be received.
- The costs of fulfilling the contract for the purposes of the onerous contacts test comprise the costs that relate directly to the contract, including both the incremental costs and an allocation of other direct costs to fulfil it.
- Before recognising a separate provision for an onerous contract, an entity needs to test all assets used in fulfilling that contract for impairment.

# 3.13 Income taxes

**Currently effective: PSAK 212, ISAK 123, ISAK 225**

## Scope

- Income taxes are taxes based on taxable profits, and taxes that are payable by a subsidiary, associate or joint arrangement on distribution to the reporting entity.

## Current tax

- Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for a period.

## Deferred tax

- Deferred tax is the amount of income taxes payable (recoverable) in future periods as a result of past transactions or events.
- Deferred tax is recognised for the estimated future tax effects of temporary differences, unused tax losses carried forward and unused tax credits carried forward (if it is allowed by tax laws).
- A deferred tax liability is not recognised if it arises from the initial recognition of goodwill.
- A deferred tax asset or liability is not recognised if:
  - it arises from the initial recognition of an asset or liability in a transaction that is not a business combination; and
  - at the time of the transaction, it affects neither accounting profit nor taxable profit and does not give rise to equal taxable and deductible temporary differences.
- Deferred tax is not recognised in respect of temporary differences associated with investments in subsidiaries, associates and joint arrangements if certain conditions are met.
- A deferred tax asset is recognised to the extent that it is *probable* that it will be realised.

## Pillar Two taxes

- 'Pillar Two taxes' are taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The Pillar Two model rules aim to ensure that large multinational groups pay taxes of at least a 15 percent minimum rate on income arising in each jurisdiction in which they operate by applying a system of top-up taxes.
- In our view, all Pillar Two top-up taxes levied by tax authorities are generally income taxes in the scope of the income tax standard for the purposes of all financial statements, including the consolidated financial statements of the ultimate parent entity or intermediate parent entities and the separate financial statements of group entities.
- As a mandatory exception, an entity neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two taxes – i.e. it accounts for them as a current tax only. However, an entity is required to provide other specific disclosures.

## Uncertain tax treatments

- It may be uncertain whether a tax treatment applied by an entity in preparing its tax return would be accepted by tax authorities. An uncertain tax treatment impacts:
  - current tax: to the extent that it affects the calculation of income tax related to current or prior periods; and
  - deferred tax: to the extent that it affects the tax base of an asset or liability, tax rate or unused tax losses.
- If an entity determines that it is not probable that the tax authority would accept the tax treatment, then it reflects the impact of the uncertainty in measuring the income tax.

## Measurement

- Current and deferred taxes are measured based on rates that are enacted or substantively enacted at the reporting date.
- Deferred tax is measured based on the expected manner of settlement (liability) or recovery (asset). There is a rebuttable presumption that the carrying amount of investment property measured at fair value will be recovered through sale.
- Deferred tax is not discounted.
- To reflect uncertainty in measuring the income tax, an entity selects a method that better predicts the resolution of the uncertainty – i.e. the most likely amount or the expected value technique.

### Classification and presentation

- The total income tax expense (income) recognised in a period is the sum of current tax plus the change in deferred tax assets and liabilities during the period, excluding tax recognised outside profit or loss – i.e. in other comprehensive income or directly in equity – or arising from a business combination.
- Income tax related to items recognised outside profit or loss is itself recognised outside profit or loss.
- Income tax consequences of distributions of profits (i.e. dividends) are recognised in profit or loss, unless the transaction or events that generated those distributable profits were recognised outside profit or loss.
- Deferred tax is classified as non-current in a classified statement of financial position.
- An entity offsets current tax assets and current tax liabilities only when it has a legally enforceable right to set off current tax assets against current tax liabilities, and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.
- An entity offsets deferred tax assets and deferred tax liabilities only when it has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity, or different taxable entities that intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.
- An entity reflects uncertain tax treatments in the measurement of the current or deferred tax liabilities (assets). Uncertain tax treatments cannot be presented as part of provisions.

# 4 Statement of profit or loss and other comprehensive income

## 4.1 General

**Currently effective: PSAK 201**

### Format of statement of profit or loss and OCI

- Profit or loss and other comprehensive income (OCI) may be presented in either:
  - a single statement, with profit or loss and OCI presented in two sections; or
  - two statements: a ‘statement of profit or loss’ displaying components of profit or loss, followed immediately by a ‘statement of comprehensive income’ beginning with profit or loss and displaying components of OCI.
- Although the Accounting Standards require certain items to be presented in the statement of profit or loss and OCI, there is no prescribed format.

### Other comprehensive income

- OCI comprises items of income and expense that are not recognised in profit or loss.
- Items of OCI are grouped into items that may be reclassified subsequently to profit or loss and those that will not be.
- Reclassification adjustments from OCI to profit or loss are disclosed in the statement of profit or loss and OCI or in the notes.

### Use of the description ‘unusual’ or ‘exceptional’

- In our view, use of the terms ‘unusual’ or ‘exceptional’ should be infrequent and reserved for items that justify a greater prominence.

### Extraordinary items

- The presentation or disclosure of items of income and expense characterised as ‘extraordinary items’ is prohibited.

## Offsetting

- Items of income and expense are not offset unless this is required or permitted by another accounting standard, or when the amounts relate to similar transactions or events that are individually not material.

## Alternative earnings measures

- The presentation of alternative earnings measures (e.g. EBITDA) in the statement of profit or loss and OCI is generally not prohibited, if certain criteria are met.

# 4.2 Revenue

**Currently effective: PSAK 115**

## Overall approach

- The core principle of the accounting standard is that revenue is recognised in the way that depicts the transfer of the goods or services to the customer at the amount to which the entity expects to be entitled. An entity implements the core principle by applying a five-step, contract-based model to recognise and measure revenue from contracts with customers.

## Step 1 – Identify the contract

- An entity accounts for a contract in accordance with the model when the contract is legally enforceable and all of the following criteria are met:
  - the contract is approved and the parties are committed to their obligations;
  - rights to goods or services and payment terms can be identified;
  - the contract has commercial substance; and
  - collection of the consideration is considered probable.

## Step 2 – Identify the performance obligations in the contract

- A performance obligation is a promise to deliver a good or service that is distinct – in other words:
  - the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer; and
  - the entity's promise to transfer the good or service to the customer is separately identifiable from other goods or services in the contract.
- An entity accounts for a series of distinct goods and services as a single performance obligation if they are substantially the same and have the same pattern of transfer.

### Step 3 – Determine the transaction price

- The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring the goods or services to the customer.
- In determining the transaction price, an entity considers the effects of variable consideration (including the constraint), whether there is a significant financing component in the arrangement, consideration payable to the customer and non-cash consideration.
- Sales- and usage-based royalties arising from licences of intellectual property are excluded from the transaction price and are generally recognised as the subsequent sale or usage occurs.

### Step 4 – Allocate the transaction price to the performance obligations in the contract

- The transaction price is generally allocated to the performance obligations in a contract on the basis of relative stand-alone selling prices.
- Discounts and variable consideration may be allocated to one or more specific performance obligations in certain circumstances.

### Step 5 – Recognise revenue

- Except for distinct licences of intellectual property, which are subject to specific guidance in the accounting standard, revenue is recognised over time if one of the following criteria is met.
  - The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
  - The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
  - The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.
- If a performance obligation is not satisfied over time, then the entity recognises revenue at the point in time at which it transfers control of the goods or services to the customer.

## Costs

- The accounting standard includes guidance on accounting for incremental costs to obtain and costs to fulfil a contract that are not in the scope of another accounting standard.

## Presentation

- An entity recognises a contract asset when it transfers goods or services before it has an unconditional right to payment, and a contract liability when the customer makes a payment before it receives the goods or services.

## Disclosures

- An entity provides specific quantitative and qualitative disclosures to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

# 4.3 Government grants

**Currently effective: PSAK 220, PSAK 241, ISAK 210**

## Definition

- Government grants are transfers of resources to an entity by a government entity in return for compliance with certain conditions.

## Recognition and measurement

- Unconditional government grants related to biological assets measured at fair value less costs to sell are recognised in profit or loss when they become receivable; conditional grants for such assets are recognised in profit or loss when the required conditions are met.
- Government grants that relate to the acquisition of an asset, other than a biological asset measured at fair value less costs to sell, are recognised in profit or loss as the related asset is depreciated or amortised.
- Other government grants are recognised in profit or loss when the entity recognises as expenses the related costs that the grants are intended to compensate.
- If a government grant is in the form of a non-monetary asset, then both the asset and the grant are recognised either at the fair value of the non-monetary asset or at a nominal amount.
- Forgivable or low-interest loans from a government may include components that need to be treated as government grants.

## Presentation

- Government grants related to assets are presented as deferred income or as a deduction from the carrying amount of the related asset.
- Government grants related to income either offset the related expense (net presentation) or are presented in profit or loss separately or under a general heading such as 'Other income' (gross presentation).

# 4.4 Employee benefits

**Currently effective: PSAK 219, ISAK 114**

## Overall approach

- The accounting standard specifies the accounting for various types of employee benefits, including:
  - benefits provided for services rendered – e.g. pensions, lump-sum payments on retirement, paid absences and profit-sharing arrangements; and
  - benefits provided on termination of employment.
- Post-employment plans are classified as:
  - defined contribution plans: plans under which an entity pays a fixed contribution into a fund and will have no further obligation; and
  - defined benefit plans: all other plans.
- Liabilities and expenses for employee benefits that are provided in exchange for services are generally recognised in the period in which the services are rendered.
- The costs of providing employee benefits are recognised in profit or loss or other comprehensive income (OCI), unless other accounting standards permit or require capitalisation.

## Defined benefit post-employment plans

- To account for defined benefit post-employment plans, an entity:
  - determines the present value of a defined benefit obligation by applying an actuarial valuation method;
  - deducts the fair value of any plan assets;
  - adjusts for any effect of the asset ceiling; and
  - determines service costs and net interest (recognised in profit or loss) and remeasurements (recognised in OCI).

## Multi-employer plans

- If insufficient information is available for a multi-employer defined benefit plan to be accounted for as a defined benefit plan, then it is treated as a defined contribution plan and additional disclosures are required.
- If an entity applies defined contribution plan accounting to a multi-employer defined benefit plan and there is an agreement that determines how a surplus in the plan would be distributed or a deficit in the plan funded, then an asset or a liability that arises from the contractual agreement is recognised.

## Group plans

- If there is a contractual agreement or stated policy for allocating a group's net defined benefit cost, then participating group entities recognise the cost allocated to them.
- If there is no agreement or policy in place, then the net defined benefit cost is recognised by the entity that is the legal sponsor, and other participating entities expense their contribution payable for the period.

## Other employee benefits

- Short-term employee benefits – i.e. those that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service – are expensed as they are incurred, except for termination benefits.
- The expense for long-term employee benefits, calculated on a discounted basis, is usually accrued over the service period.

## Termination benefits

- A termination benefit is recognised at the earlier of:
  - the date on which the entity recognises costs for a restructuring in the scope of the provisions standard (see 3.12) that includes the payment of termination benefits; and
  - the date on which the entity can no longer withdraw the offer of the termination benefits.

# 4.5 Share-based payments

**Currently effective: PSAK 102**

## Basic principles

- Goods or services received in a share-based payment transaction are measured at fair value.
- Equity-settled transactions with employees are generally measured based on the grant-date fair value of the equity instruments granted.
- Equity-settled transactions with non-employees are generally measured based on the fair value of the goods or services obtained.

## Equity-settled transactions with employees

- For equity-settled transactions, an entity recognises a cost and a corresponding increase in equity. The cost is recognised as an expense unless it qualifies for recognition as an asset.
- Initial estimates of the number of equity-settled instruments that are expected to vest are adjusted to current estimates and ultimately to the actual number of equity-settled instruments that vest unless differences are due to market conditions.

## Cash-settled transactions with employees

- For cash-settled transactions, an entity recognises a cost and a corresponding liability. The cost is recognised as an expense unless it qualifies for recognition as an asset.
- At each reporting date and at settlement date, the recognised liability is remeasured at fair value. The remeasurements are recognised in profit or loss.

## Employee transactions with a choice of settlement

- Grants in which the counterparty has the choice of equity or cash settlement are accounted for as compound instruments. Therefore, the entity accounts for a liability component and a separate equity component.
- The classification of grants in which the entity has the choice of equity or cash settlement depends on whether the entity has the ability and intent to settle in shares.

### Modifications and cancellations of employee transactions

- Modification of a share-based payment results in the recognition of any incremental fair value but not any reduction in fair value. Replacements are accounted for as modifications.
- Cancellation of a share-based payment results in accelerated recognition of any unrecognised expense.

### Group share-based payment arrangements

- A share-based payment transaction in which the receiving entity, the reference entity and the settling entity are in the same group from the perspective of the ultimate parent is a group share-based payment transaction and is accounted for as such by both the receiving and the settling entities.
- A share-based payment that is settled by a shareholder external to the group is also in the scope of the accounting standard from the perspective of the receiving entity, as long as the reference entity is in the same group as the receiving entity.
- A receiving entity that has no obligation to settle the transaction accounts for the share-based payment transaction as equity-settled.
- A settling entity classifies a share-based payment transaction as equity-settled if it is obliged to settle in its own equity instruments; otherwise, it classifies the transaction as cash-settled.

### Share-based payments with non-employees

- Goods are recognised when they are obtained and services are recognised over the period in which they are received.

# 4.6 Borrowing costs

**Currently effective: PSAK 223**

## Overall approach

- Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset generally form part of the cost of that asset.

## Qualifying assets

- A 'qualifying asset' is one that necessarily takes a substantial period of time to be made ready for its intended use or sale.

## Borrowing costs eligible for capitalisation

- Borrowing costs may include interest calculated under the effective interest method, interest in respect of lease liabilities (see 5.1), certain finance charges and certain foreign exchange differences.
- Borrowing costs are reduced by interest income from the temporary investment of borrowings.

## Period of capitalisation

- Capitalisation begins when an entity meets all of the following conditions:
  - expenditure for the asset is being incurred;
  - borrowing costs are being incurred; and
  - activities that are necessary to prepare the asset for its intended use or sale are in progress.
- Capitalisation ceases when the activities necessary to prepare the asset for its intended use or sale are substantially complete.

# 5 Special topics

## 5.1 Leases

**Currently effective: PSAK 116, ISAK 336**

### Scope

- The leases standard applies to leases of property, plant and equipment and other assets, with only limited exclusions.
- A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### Accounting model

- There are different accounting models for lessees and lessors.
  - Lessees apply a single on-balance sheet lease accounting model, unless they use the recognition exemptions for short-term leases and leases of low-value assets.
  - Lessors apply a dual model and classify leases as either finance or operating leases.

### Lessee accounting

- A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.
- A lessee measures the right-of-use asset at cost less accumulated depreciation and accumulated impairment losses.

## Lessor accounting

- Lease classification by lessors (i.e. as a finance or operating lease) is made at inception of the lease and is reassessed only if there is a lease modification. The classification depends on whether substantially all of the risks and rewards incidental to ownership of the leased asset have been transferred from the lessor to the lessee.
- Under a finance lease, a lessor derecognises the leased asset and recognises a finance lease receivable.
- Under an operating lease, the lessor treats the lease as an executory contract and recognises the lease payments as income over the lease term. The lessor recognises the leased asset in its statement of financial position.

## Sale-and-leaseback transactions

- In a sale-and-leaseback transaction, the seller-lessee first determines if the buyer-lessor obtains control of the asset based on the revenue recognition requirements (see 4.2). If the transaction does not qualify for sale accounting, then it is accounted for as a financing transaction.

## Sub-lease transactions

- In a sub-lease transaction, the intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. An intermediate lessor classifies a sub-lease with reference to the right-of-use asset arising from the head lease.

## Lease modifications

- When there is a change to the scope of, or consideration for, a lease that was not part of the original terms and conditions of the lease, lessees and lessors apply the detailed guidance on lease modifications.

### Land rights in Indonesia

- The applicable laws generally do not allow companies to have freehold title on land, instead companies are granted land usage rights (*hak guna bangunan*, or “HGB”) or other similar rights, of which HGB is the most common rights. The HGB is granted for a specified period, and generally can be extended with insignificant extension fee. In case of a change in government’s land zoning policy (e.g. from industrial into residential area) affecting land under HGB, the HGB holders are entitled for compensation equal to market value of the land and buildings constructed on top of the land. HGB typically provides its holders with rights to pledge the land under HGB as a collateral, or to sell or transfer the HGB to other parties, despite the laws specify that legal title of the land is not transferred to HGB holders.
- ISAK 336 requires assessment, for each land rights it holds, of whether control over the underlying land is transferred to an entity. Details of each HGB right may vary. The substance of the right, instead of its legal form, determines the accounting for land rights.
- If a land usage right gives an entity the right that is in-substance purchase of a fixed asset (see section 3.2), it is accounted for as acquisition of land.
- Otherwise, if the right does not transfer control over the underlying land, but instead provides the entity with right to use the underlying land for a specified period, it is accounted for as a lease.

*Unlike ISAK 336, IFRS Accounting Standards do not incorporate the notion of ‘in-substance purchase’ into a separate interpretation, to determine whether a transaction is accounted for as a purchase or a lease of an asset. Nonetheless, such notion is based on discussions in Basis for Conclusion of IFRS 16 (paragraphs BC138-BC140).*

# 5.2 Operating segments

**Currently effective: PSAK 108**

## Scope

- An entity presents segment disclosures if its debt or equity instruments are traded in a public market or it files, or is in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.

## Management approach

- Segment disclosures are provided about the components of the entity that management monitors in making decisions about operating matters – i.e. they follow a 'management approach'.
- Such components (operating segments) are identified on the basis of internal reports that the entity's chief operating decision maker (CODM) regularly reviews in allocating resources to segments and in assessing their performance.

## Aggregating operating segments

- The aggregation of operating segments is permitted only when the segments have 'similar' economic characteristics and meet a number of other specified criteria.

## Determining reportable segments

- Reportable segments are identified based on quantitative thresholds of revenue, profit or loss, or assets.

### Disclosing segment information

- The amounts disclosed for each reportable segment are the measures reported to the CODM, which are not necessarily based on the same accounting policies as the amounts recognised in the financial statements.
- Because segment profit or loss, segment assets and segment liabilities are disclosed as they are reported to the CODM, rather than as they would be reported under the Accounting Standards, disclosure of how these amounts are measured for each reportable segment is also required.
- Reconciliations between total amounts for all reportable segments and financial statement amounts are disclosed with a description of all material reconciling items.
- General and entity-wide disclosures include information about products and services, geographical areas – including country of domicile and individual foreign countries, if they are material – major customers, and factors used to identify an entity's reportable segments. These disclosures are required even if an entity has only one segment.

### Comparative information

- Comparative information is normally restated for changes in reportable segments.

# 5.3 Earnings per share

**Currently effective: PSAK 233**

## Scope

- An entity presents basic and diluted earnings per share (EPS) if its ordinary shares or potential ordinary shares are traded in a public market, or it files, or is in the process of filing, its financial statements with a securities commission for the purpose of issuing any class of ordinary shares in a public market.

## Basic EPS

- Basic EPS is calculated by dividing the earnings attributable to holders of ordinary equity of the parent by the weighted-average number of ordinary shares outstanding during the period.

## Diluted EPS

- To calculate diluted EPS, an entity adjusts profit or loss attributable to ordinary equity holders, and the weighted-average number of shares outstanding for the effects of all dilutive potential ordinary shares.
- Potential ordinary shares are considered dilutive only if they decrease EPS or increase loss per share from continuing operations. In determining whether potential ordinary shares are dilutive, each issue or series of potential ordinary shares is considered separately.
- Contingently issuable ordinary shares are included in basic EPS from the date on which all necessary conditions are satisfied and, when they are not yet satisfied, in diluted EPS based on the number of shares that would be issuable if the reporting date were the end of the contingency period.
- If a contract may be settled in either cash or shares at the entity's option, then it is presumed that it will be settled in ordinary shares and the resulting potential ordinary shares are used to calculate diluted EPS.
- If a contract may be settled in either cash or shares at the holder's option, then the more dilutive of cash and share settlement is used to calculate diluted EPS.
- For diluted EPS, diluted potential ordinary shares are determined independently for each period presented.

### Retrospective adjustment

- If the number of ordinary shares outstanding changes without a corresponding change in resources, then the weighted-average number of ordinary shares outstanding during all periods presented is adjusted retrospectively for both basic and diluted EPS.

### Presentation and disclosures

- Basic and diluted EPS for both continuing and total operations are presented in the statement of profit or loss and other comprehensive income (OCI) with equal prominence, for each class of ordinary shares that has a differing right to share in the profit or loss for the period.
- Separate EPS information is disclosed for discontinued operations, either in the statement of profit or loss and OCI or in the notes to the financial statements.
- Adjusted basic and diluted EPS based on alternative earnings measures may be disclosed and explained in the notes to the financial statements.

# 5.4 Non-current assets held for sale and discontinued operations

**Currently effective: PSAK 105, PSAK 113, ISAK 117**

## Held for sale – Classification

- Non-current assets and some groups of assets and liabilities (known as 'disposal groups') are classified as held-for-sale when their carrying amounts will be recovered principally through sale.

## Held for sale – Measurement and presentation

- Assets classified as held-for-sale are not amortised or depreciated.
- Non-current assets and disposal groups held for sale are generally measured at the lower of their carrying amount and fair value less costs to sell, and are presented separately on the face of the statement of financial position.
- The comparative statement of financial position is not re-presented when a non-current asset or disposal group is classified as held-for-sale.

## Held for distribution

- The classification, presentation and measurement requirements that apply to items that are classified as held-for-sale also apply to a non-current asset or disposal group that is classified as held-for-distribution.

## Discontinued operations – Classification

- A discontinued operation is a component of an entity that either has been disposed of or is classified as held-for-sale.
- Discontinued operations are limited to those operations that are a separate major line of business or geographical area, and to subsidiaries acquired exclusively with a view to resale.

## Discontinued operations – Presentation

- Discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income (OCI).
- The comparative statement of profit or loss and OCI is re-presented for discontinued operations.

# 5.5 Related party disclosures

**Currently effective: PSAK 224**

## Identifying related parties

- Related party relationships include those involving control (direct or indirect), joint control or significant influence.
- Key management personnel and their close family members are also parties related to an entity.

## Recognition and measurement

- There are no special recognition or measurement requirements for related party transactions.

## Disclosures

- The disclosure of related party relationships between a parent and its subsidiaries is required, even if there have been no transactions between them.
- No disclosure is required in consolidated financial statements of intra-group transactions eliminated in preparing those statements.
- Comprehensive disclosures of related party transactions are required for each category of related party relationship.
- Key management personnel compensation is disclosed in total and is analysed by component.
- In certain instances, government-related entities are allowed to provide less detailed disclosures on related party transactions.

# 5.6 Investment entities

**Currently effective: PSAK 109, PSAK 110, PSAK 113, PSAK 228**

## Overall approach

- A qualifying investment entity is required to account for investments in controlled entities – as well as investments in associates and joint ventures – at fair value through profit or loss.
- As an exception, an investment entity consolidates a subsidiary that provides services that relate to the investment entity's investment activities and does not itself qualify as an investment entity.

## Qualifying investment entities

- To qualify as an investment entity, an entity is required to meet three 'essential' tests, and is expected to have one or more 'typical' characteristics.
- The 'essential' tests are as follows:
  - the entity obtains funds from one or more investors to provide those investors with investment management services;
  - the entity commits to its investors that its business purpose is to invest for returns solely from capital appreciation and/or investment income; and
  - the entity measures and evaluates the performance of substantially all investments on a fair value basis.
- The 'typical' characteristics are as follows:
  - the entity has more than one investment;
  - the entity has more than one investor;
  - the investors are not related parties; and/or
  - the entity has ownership interests in the form of equity or similar interests.

## Parents of investment entities

- The consolidation exception is mandatory for the parent of an investment entity that itself meets the definition of an investment entity.
- The consolidation exception is not carried through to the consolidated financial statements of a parent that is not itself an investment entity – i.e. the parent is nevertheless required to consolidate all subsidiaries.

# 5.7 Non-monetary transactions

**Currently effective: PSAK 115, PSAK 216, PSAK 220, PSAK 238, PSAK 240**

## Definition

- A non-monetary transaction is an exchange of non-monetary assets, liabilities or services for other non-monetary assets, liabilities or services with little or no monetary consideration involved.

## Exchanges of assets held for use

- Exchanges of assets held for use are generally measured at fair value and result in the recognition of gains or losses.
- As exceptions, exchanged assets held for use are recognised based on historical cost if the exchange lacks commercial substance or if fair value cannot be measured reliably for neither the asset received nor the asset given up.

## Barter transactions

- Revenue is recognised for barter transactions unless the transaction is incidental to the entity's main revenue-generating activities or is with a counterparty in the same line of business to facilitate sales to customers or potential customers.

## Donated assets

- Donated assets may be accounted for in a manner similar to government grants unless the transfer is, in substance, an equity contribution.

## Transfers of assets from customers

- If a customer contributes property, plant and equipment to provide access to a supply of goods or services, then an entity assesses whether it obtains control of the asset. If so, then it accounts for it as non-cash consideration in a contract with a customer (see 4.2).

# 5.8 Accompanying financial and non-financial information

**Currently effective: PSAK 201**

## General

- An entity considers its legal or regulatory requirements in assessing what information is disclosed in addition to that required by the Accounting Standards.
- Financial and non-financial information in addition to that required by the Accounting Standards is generally presented outside the financial statements as accompanying information, but may be presented within the financial statements if appropriate.

# 5.9 Interim financial reporting

**Currently effective: PSAK 234, ISAK 110**

## Scope and basis of preparation

- Interim financial statements contain either a complete or a condensed set of financial statements for a period shorter than an annual reporting period.

## Form and content

- The following, as a minimum, are presented in condensed interim financial statements:
  - condensed statement of financial position;
  - condensed statement of profit or loss and other comprehensive income;
  - condensed statement of cash flows;
  - condensed statement of changes in equity; and
  - selected explanatory notes.

## Recognition and measurement

- Items are generally recognised and measured as if the interim period were a discrete period.
- As an exception, income tax expense for an interim period is based on an estimated average annual effective income tax rate.

## Accounting policies

- Generally, the accounting policies applied in the interim financial statements are those that will be applied in the next annual financial statements.

# 5.10 Disclosure of interests in other entities

**Currently effective: PSAK 112**

## Overall approach

- An entity that holds interests in other entities (including those classified as held-for-sale) provides users with information that enables them to evaluate the nature and risks of holding those interests, as well as the effects of the interests on the entity's financial position, performance and cash flows.

## Interests in consolidated subsidiaries

- If an entity has consolidated subsidiaries, then it provides information in its consolidated financial statements that helps users to understand the composition of the group and the interests of non-controlling shareholders (NCI) (see 2.5) in the group's activities and cash flows. This includes:
  - the nature and extent of significant restrictions on the entity's ability to access or use assets or settle liabilities of the group;
  - specific information on any subsidiaries with material NCI, such as financial information for the subsidiary and information about the proportion of NCI and accumulated NCI;
  - the consequences of changes in its ownership in a subsidiary and of losing control; and
  - the nature of and any changes in the risk associated with the interests in consolidated structured entities.

## Interests in joint arrangements and associates

- If an entity holds interests in joint arrangements and associates, then it provides information in its consolidated financial statements that helps users to understand the nature and risks associated with these interests. This includes:
  - significant restrictions on a joint arrangement's ability to transfer cash dividends or to repay loans and advances;
  - the nature, extent and financial effect of holding an interest in a joint arrangement or an associate; and
  - any commitments and contingent liabilities towards a joint arrangement or an associate.

### Interests in consolidated structured entities

- If an entity holds interests in consolidated structured entities, then it discloses the terms of any contractual arrangement that could require it to provide financial support to the consolidated structured entity.

### Interests in unconsolidated structured entities

- If an entity holds interests in unconsolidated structured entities, then it provides disclosures that enable users to understand the specific risks arising from holding these interests and the nature of these interests. The required disclosures include:
  - general information about interests in unconsolidated entities – e.g. the nature, purpose, size and activities of an unconsolidated structured entity; and
  - information about the nature of risk – e.g. carrying amounts of assets and liabilities recognised in the consolidated financial statements, maximum exposure to loss from the holding and any commitments to provide financial support.
- If an entity does not hold an interest in an unconsolidated structured entity, but has sponsored such an entity, then it discloses the following:
  - the method for determining how a sponsored entity has been identified;
  - income from the structured entity in the reporting period; and
  - the carrying amount of all of the assets transferred to the structured entity during the reporting period.

### Investment entities

- An investment entity (see 5.6) discloses quantitative data about its exposure to risks arising from unconsolidated subsidiaries.
- To the extent that an investment entity does not have 'typical' characteristics, it discloses the significant judgements and assumptions made in concluding that it is an investment entity.

# 5.11 Extractive activities

**Currently effective: PSAK 106, ISAK 120**

## Scope

- Entities identify and account for pre-exploration expenditure, exploration and evaluation (E&E) expenditure and development expenditure separately.
- There is no industry-specific guidance on the recognition or measurement of pre-exploration expenditure or development expenditure. Pre-exploration expenditure is generally expensed as it is incurred.

## E&E expenditure

- Each type of E&E expenditure can be expensed as it is incurred or capitalised, in accordance with the entity's selected accounting policy.
- Capitalised E&E expenditure is classified as either tangible or intangible assets, according to its nature.

## Stripping costs

- Stripping costs incurred in the production phase of surface mining activities that improve access to ore to be mined in future periods are capitalised if certain criteria are met.

## Impairment

- Some relief is provided from the general requirements of the Accounting Standards (see 3.10) in assessing whether there is any indication of impairment of E&E assets.
- The test for recoverability of E&E assets can combine several cash-generating units, as long as the combination is not larger than an operating segment (see 5.2).

# 5.12 Service concession arrangements

**Currently effective: ISAK 112, ISAK 229**

## Scope

- The Accounting Standards provide specific guidance (in the form of an interpretation) on the accounting by private sector entities (operators) for public-to-private service concession arrangements.
- The interpretation applies only to those service concession arrangements in which the public sector (the grantor) controls or regulates the services provided, prices to be charged and any significant residual interest in the infrastructure.

## Operator's rights over the infrastructure

- For service concession arrangements in the scope of the interpretation, the operator does not recognise public service infrastructure as its own property, plant and equipment if the infrastructure is existing infrastructure of the grantor, or if the infrastructure is built or acquired by the operator as part of the service concession arrangement.

## Items provided by the grantor

- If the grantor provides other items to the operator that the operator may retain or sell at its option, then the operator recognises those items as its assets, with a liability for unfulfilled obligations.

## Recognition of construction or upgrade revenue

- The operator recognises revenue and costs for services provided by applying the guidance in the revenue standard (see 4.2).

## Recognition of consideration receivable for construction or upgrade services

- The operator recognises consideration receivable from the grantor for construction or upgrade services – including upgrades of existing infrastructure – as a financial asset and/or an intangible asset.
- The operator recognises a financial asset to the extent that it has an unconditional right to receive cash (or another financial asset) irrespective of the use of the infrastructure.
- The operator recognises an intangible asset to the extent that it has a right to charge for use of the infrastructure.

### Subsequent accounting for financial and intangible assets

- Any financial asset recognised is accounted for in accordance with the relevant financial instruments standards (see section 7), and any intangible asset in accordance with the intangible assets standard (see 3.3). There are no exemptions from these accounting standards for operators.

### Maintenance obligations and upgrade services

- The operator recognises and measures contractual obligations to maintain or restore infrastructure in accordance with the provisions standard (see 3.12), except for any upgrade element, which is accounted for by applying the guidance in the revenue standard (see 4.2).

### Borrowing costs

- The operator generally capitalises attributable borrowing costs incurred during construction or upgrade periods to the extent that it has a right to receive an intangible asset. Otherwise, the operator expenses borrowing costs as they are incurred.

# 5.13 Common control transactions and Newco formations

**Currently effective: PSAK 338**

## Business combination under common control

- For a business combination (see 2.6 – Identifying a business combination) among entities under common control ('BCUCC'), both the acquirer ('receiving entity') and seller ('transferring entity') applies book value accounting ('pooling of interest' method). PSAK 338 is based on the notion that BCUCC does not change the economic substance of ultimate parent's control over entities within its group. The carrying amounts of the net assets acquired are based on book values of the acquired entity ('transferred entity').
- Both the receiving and transferring entity recognize the difference between consideration payable (or receivable) and the carrying amounts of net assets transferred in equity (i.e. additional paid-in capital line item). Such difference cannot be subsequently recycled to profit or loss or reclassified out of the additional paid-in capital.
- In applying pooling of interest method, the receiving entity combines the financial position and results of operations of the transferred entity as if both entities had always been combined since the date when both entities are under common control, subject to requirements for applying uniform accounting policies. Prior period comparatives are restated to the earliest comparative period presented to which both entities had been under common control.

### *Common control transaction*

- *Under IFRS Accounting Standards, in our view, the acquirer in a common control transaction has a choice of applying either book value accounting or acquisition accounting (see 2.6) in its consolidated financial statements.*
- *In our view, the transferor in a common control transaction that is a demerger has a choice of applying either book value accounting or fair value accounting in its consolidated financial statements. In other disposals, the transferor applies the general guidance on loss of control in its consolidated financial statements (see 2.5).*
- *In our view, an entity generally has a choice of accounting for a common control transaction using book value accounting, fair value accounting or exchange amount accounting in its separate financial statements when investments in subsidiaries are accounted for at cost.*

- *Common control transactions are accounted for using the same accounting policy to the extent that the substance of the transactions is similar.*
- *If a new parent is established within a group and certain criteria are met, then the cost of the acquired subsidiaries in the separate financial statements of the new parent is determined with reference to its share of total equity of the subsidiaries acquired.*

***Newco formations***

- *Newco formations generally fall into one of two categories: to effect a business combination involving a third party; or to effect a restructuring among entities under common control.*
- *In a Newco formation to effect a business combination involving a third party, acquisition accounting generally applies.*
- *In a Newco formation to effect a restructuring among entities under common control, in our view it is first necessary to determine whether there has been a business combination. If there has been, then the same accounting choices are available as for common control transactions in consolidated financial statements.*
- *If a Newco is used in a conditional initial public offering, then in our view the transaction can be analysed in the same way as either a Newco formation to effect a business combination involving a third party, or a Newco formation to effect a restructuring among entities under common control.*

# 5.14 Emissions and green schemes

**Currently effective: Not explicitly covered, but PSAK 109, PSAK 115, PSAK 202, PSAK 220, PSAK 237 and PSAK 238 are relevant**

## Overview

- To reduce emissions of pollutants and to transition to a greener economy, government and other bodies are introducing various measures. Some measures set mandatory targets – e.g. for reducing $CO^2$ emissions or producing greener assets. Others incentivise a voluntary shift to greener sources of energy and investment in green initiatives as part of climate-related strategies. The increase in variety of emissions and green schemes has also increased the complexity of related financial reporting issues.
- There is no single accounting standard that addresses the accounting for emissions and green schemes. The accounting and financial reporting considerations depend on the entity's role. That role may differ depending on the arrangement.

## Polluting entity

- Polluting entities may be subject to mandatory targets set by a government under an emissions scheme or may set such targets voluntarily – e.g. as part of their net-zero transition plan. The accounting may require judgement, based on the specific facts and circumstances of a mandatory scheme or a voluntary commitment, which may vary.
- A provision for an emissions obligation is recognised when all the following three criteria are met.
  - There is a present obligation as a result of a past event (i.e. 'damage done'). For mandatory emissions schemes, in our view a present obligation arises when an entity has commenced the activity to which the threshold is linked and has exceeded the allowable threshold. For voluntary emissions targets, a present obligation arises only when the entity's public statement has created a valid expectation and the entity has missed the emissions target it had promised to achieve.
  - It is probable (i.e. more likely than not) than an outflow of cash or other resources will be required to settle it.
  - The amount can be reliably estimated.

- If an entity participates in a mandatory scheme and receives emissions allowances from a government, then in our view it should choose an accounting policy to account for them as intangible assets or inventory. The related non-monetary government grant (see 4.3) may be recognised either at fair value (see 2.4) or a nominal amount, which is often zero.
- If an entity purchases carbon credits voluntarily to offset its own emissions, then those credits may represent assets (i.e. intangible assets or inventory), depending on the specific facts and circumstances.
- A plan to purchase carbon credits in the future as part of climate-related commitments does not, on its own, trigger a liability. There are specific requirements in the provisions standard for determining if a liability exists at the reporting date and if it needs to be recognised in the financial statements (see 3.12).

## Green entity

- An entity undertaking a green initiative and generating carbon credits for sale in the ordinary course of business generally applies the:
  - inventory standard (see 3.8) to account for generated carbon credits, unless the carbon credits meet the definition of a government grant (see 4.3); and
  - revenue standard (see 4.2) to account for revenue from the sale of carbon credits to customers.

## Investor in green projects

- An entity may invest in projects that generate carbon credits for a variety of reasons and in different ways. The accounting treatment can differ depending on the specific facts and circumstances, so an entity first needs to determine which accounting standard(s) to apply.
- In performing the assessment, the entity may consider whether:
  - it has control of a subsidiary (see 2.5) or significant influence over an associate (see 3.5);
  - there is a joint control of an arrangement (see 3.6);
  - there is a right to use an identified asset that meets the definition of a lease (see 5.1);
  - it obtains control of any intangible assets (see 3.3) or inventories (see 3.8), or makes prepayments for such assets;
  - it holds a financial asset (see 7.1); or
  - it has a contract to buy a non-financial item that is in the scope of the financial instruments standard (see 7.1).

### Intermediary

- To determine the appropriate accounting for the purchase and sale of carbon credits, intermediaries need to consider whether they:
- act as a commodity broker-trader;
- act as a principal or an agent under the revenue standard (see 4.2) when selling credits or providing offsetting services; and
- need to account for the contract to purchase or sell a non-financial item (i.e. carbon credits) as a financial instrument under the financial instruments standard (see 7.1).

# 5.15 Tax amnesty assets and liabilities

**Currently effective: PSAK 370**

## Overview

- An entity participating in government's tax amnesty program may be required to declare previously unrecognized assets or liabilities, and may incur obligation to settle additional tax. The entity generally will not be subject tax audit up to the latest open tax year, but will have to give up its claim for tax losses or overpayments, as applicable.

## Accounting policy choice

- An entity may elect to either apply a) existing requirements in other accounting standards to evaluate recognition and measurement of the assets and liabilities, including whether it indicates prior period error, or b) optional exemptions as specified in PSAK 370.

## Optional exemptions

- Under this approach, the assets and liabilities declared are considered as non-monetary capital contribution from or distribution to equity holders. They are recognized when the declaration is approved by the tax authorities. The net amount recognized is adjusted to (i.e. presented as part of additional paid-in capital), and subsequently cannot be recycled to profit or loss or reclassified to retained earnings. Under this approach, an entity is not required to evaluate if restatement is necessary for prior period financial statements.
- At initial recognition, an entity is allowed to measure the assets and liabilities generally at nominal value i.e. the amounts approved by the tax authorities. These amounts are considered 'deemed cost' and are used as the basis for subsequent measurement of the assets and liabilities.
- Amounts measured at initial recognition may differ from those declared to the tax authorities, e.g. if the items do not meet the definition and recognition criteria as assets or liabilities in other accounting standards. An entity measures liabilities directly attributed to acquisitions of the assets declared at an amount equal to contractual obligation for the unpaid balances as of declaration date. The differences between the amounts measured at initial recognition and the amounts declared to the tax authorities are adjusted to equity (i.e. additional paid-in capital).

- If the nominal value differs from the amounts that would have been determined had the entity applied other accounting standards, the assets and liabilities are presented separately as 'tax amnesty assets' and 'tax amnesty liabilities'. They are classified as non-current assets and liabilities, unless there is a valid basis to split current and non-current portions, and they are not offset.
- Reclassification out of tax amnesty assets or liabilities is only allowed if an entity elects to re-measure the assets and liabilities at fair value at the date of tax authorities' approval.
- Re-measurement is mandatory if the declaration results in the entity having controlling interest over an investee. In that case, the assets and liabilities are re-measured generally at fair value (see 3.6), unless if it is a BCUCC (see 5.13) measured at book value, and that consolidation requirements (see 2.5) applies subsequently.

### Others

- Clearance levy is recognized in profit or loss. The levy does not meet the definition of income tax (see 3.13 – scope), thus an entity applies other relevant accounting standard (see 3.12).
- An entity derecognizes previously recognized claims for refund, deferred tax asset arising from tax loss carry forward, and provisions for uncertain tax positions, as applicable, upon approval by tax authorities. The impact is recognized in profit or loss.

*In contrast, under IFRS Accounting Standards, an entity follows existing requirements in other accounting standards for the recognition, measurement and presentation of assets and liabilities. There are no optional exemptions as envisaged in PSAK 370.*

# 5.16 Presentation of financial statements of non-profit oriented entities

**Currently effective: ISAK 335**

## Overview

- ISAK 335 interprets how non-profit oriented ("NPO") entities apply general requirements for presentation of financial statements. NPO follows the requirements in other accounting standards for measurement, recognition and disclosures of financial statements items.

## Presentation

- An NPO entity may amend the descriptions of line items presented in the financial statements and use different titles for components of its financial statements that are more suitable for its characteristics or nature of activities.
- If an NPO entity is contractually bound by donor-imposed restrictions for the use of resources in specified activities, it may present separately net assets subject to restriction from net assets that are unrestricted.

*IFRS Accounting Standards do not incorporate an interpretation for presentation of financial statements by an NPO entity. An NPO entity applies general presentation requirements in IAS 1.*

# 6 [Not used]

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# Financial instruments – Introduction to section 7 and 7I

The requirements of Accounting Standards related to *financial instruments* are covered in two sections.

- Section 7: Requirements of PSAK 109 *Financial Instruments* and the related version of PSAK 107 *Financial Instruments: Disclosures*, which should be applied by all entities, unless they are specifically exempt.
- Section 7I: Requirements of the predecessor accounting standard—PSAK 239 *Financial Instruments: Recognition and Measurement* and the related version of PSAK 107—which may be applied by:
  - an insurer until PSAK 117 *Insurance Contracts* becomes effective on 1 January 2025 if it meets specific criteria, and
  - an entity[8] that on adopting PSAK 109 chooses to continue to apply the hedge accounting requirements in PSAK 239 either:
    - > in their entirety instead of those in chapter 6 of PSAK 109 until a new accounting standard resulting on accounting for dynamic risk management becomes effective; or
    - > for a fair value hedge of the interest rate exposure of a portfolio of financial assets or financial liabilities

Both sections also cover the requirements of PSAK 232 *Financial Instruments: Presentation.*

[8] An entity that chooses to continue to apply the hedge accounting requirements in PSAK 239 is subject to the hedge accounting disclosure requirements in PSAK 107, as updated by PSAK 109.

# 7 Financial instruments

## 7.1 Scope and definitions

**Currently effective: PSAK 107, PSAK 109, PSAK 232**
**Forthcoming: Amendments to PSAK 109**

### Scope

- The accounting standards on financial instruments generally apply to all financial instruments. They also apply to a contract to buy or sell a non-financial item if the contract can be settled net in cash – including if the non-financial item is readily convertible into cash – unless the contract is held for delivery of the item in accordance with the entity's expected purchase, sale or usage requirements ('own-use exemption').
- However, an entity can, at inception, irrevocably designate a contract that meets the own-use exemption as measured at fair value through profit or loss (FVTPL) if certain criteria are met.
- Financial instruments subject to scope exclusions include certain loan commitments and financial guarantee contracts, as well as financial instruments in the scope of other specific accounting standards – e.g. investments in subsidiaries and associates, insurance contracts and employee benefits. However, certain investments in subsidiaries, associates and joint ventures are in the scope of the financial instruments standards.

### Definition

- A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.
- Financial instruments include both primary financial instruments (e.g. cash, receivables, debt, shares in another entity) and derivative financial instruments (e.g. options, forwards, futures, interest rate swaps, currency swaps).

# 7.2 Derivatives and embedded derivatives

**Currently effective: PSAK 109**

## Derivatives

- A derivative is a financial instrument or other contract in the scope of the financial instruments standard, the value of which changes in response to some underlying variable (other than a non-financial variable that is specific to a party to the contract), that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable and that will be settled at a future date.

## Embedded derivatives

- An embedded derivative is a component of a hybrid contract that affects the cash flows of the hybrid contract in a manner similar to a stand-alone derivative instrument.
- A hybrid instrument also includes a non-derivative host contract that may be a financial or a non-financial contract.
- An embedded derivative with a host contract that is a financial asset in the scope of PSAK 109 is not separated; instead, the financial instrument is assessed as a whole for classification under PSAK 109.
- A hybrid instrument with host contract that is not a financial asset in the scope of PSAK 109 is assessed to determine whether the embedded derivative(s) is required to be accounted for separately from the host contract.
- An embedded derivative is not accounted for separately from the host contract if it is closely related to the host contract, if a separate instrument with the same terms as the embedded derivative would not meet the definition of a derivative or if the entire contract is measured at fair value through profit or loss. In other cases, an embedded derivative is accounted for separately as a derivative.

# 7.3 Equity and financial liabilities

**Currently effective: PSAK 109, PSAK 232**
**Related accounting standards: PSAK 201, PSAK 212, ISAK 117, ISAK 119**

## Classification

- An instrument, or its components, is classified on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.
- If a financial instrument has both equity and liability components, then they are classified separately.

## Recognition and measurement

- Gains and losses on transactions in an entity's own equity instruments are recognised directly in equity.
- Dividends and other distributions to the holders of equity instruments are recognised directly in equity.
- Incremental costs that are directly attributable to equity transactions such as issuing or buying back own equity instruments are recognised directly in equity. In our view, this includes qualifying costs attributable to the distribution of a dividend.

## Reclassification of instruments between liability and equity

- The classification of an instrument is made on initial recognition and is not generally revised as a result of subsequent changes in circumstances. However, a reclassification between equity and liability or vice versa may be required in some cases.

## Presentation

- There are no specific requirements in the Accounting Standards on how to present the individual components of equity. An entity considers its legal environment when determining how to present its own shares within equity.
- Non-controlling interests are presented in the consolidated statement of financial position within equity separately from the parent shareholders' equity.

# 7.4 Classification of financial assets

**Currently effective: PSAK 109**
**Forthcoming: Amendments to PSAK 109 and PSAK 107**

## Classification

- Financial assets are classified into one of three measurement categories:
  - amortised cost;
  - fair value through other comprehensive income (FVOCI); or
  - fair value through profit or loss (FVTPL).
- Financial assets are classified based on the business model within which they are held and their cash flow characteristics. The categorisation determines whether and where any remeasurement to fair value is recognised.
- The FVOCI category applies differently to debt and equity investments.
- Financial assets classified as at FVTPL are further subcategorised as mandatorily measured at FVTPL (which includes derivatives) or designated as at FVTPL on initial recognition.

## Reclassification of financial assets

- Reclassifications of financial assets are made only on a change in an entity's business model that is significant to its operations. These are expected to be very infrequent.
- No other reclassifications are permitted.

# 7.5 Classification of financial liabilities

**Currently effective: PSAK 109**

## Classification

- Financial liabilities are generally classified into one of the two measurement categories:
  - amortised cost; or
  - fair value through profit or loss (FVTPL).
- The categorisation determines whether and where any remeasurement to fair value is recognised.
- Financial liabilities classified as at FVTPL are further subcategorised as held-for-trading (which includes derivatives) or designated as at FVTPL on initial recognition.

## Reclassification of financial liabilities

- Reclassification of financial liabilities is not permitted.

# 7.6 Recognition and derecognition

**Currently effective: PSAK 109**
**Forthcoming: Amendments to PSAK 109 and PSAK 107**
**Related accounting standards: ISAK 119**

## Initial recognition

- Financial assets and financial liabilities, including derivative instruments, are recognised in the statement of financial position when the entity becomes a party to the contract. However, 'regular-way' purchases and sales of financial assets are recognised either on trade date or on settlement date.

## Derecognition of financial assets

- A financial asset is derecognised only when the contractual rights to the cash flows from the financial asset expire or when the financial asset is transferred and the transfer meets certain specified conditions.
- An entity derecognises a transferred financial asset if it transfers substantially all of the risks and rewards of ownership. An entity does not derecognise a transferred financial asset if it retains substantially all of the risks and rewards of ownership.
- An entity continues to recognise a transferred financial asset to the extent of its continuing involvement if it has neither retained nor transferred substantially all of the risks and rewards of ownership, and it has retained control of the financial asset.
- In some circumstances, a renegotiation or modification of the contractual cash flows of a financial asset can lead to its derecognition.

## Derecognition of financial liabilities

- A financial liability is derecognised when it is extinguished – i.e. it is discharged or cancelled or expires – or when its terms are substantially modified.

# 7.7 Measurement

**Currently effective: PSAK 109**
**Forthcoming: Amendments to PSAK 109**
**Related accounting standards: PSAK 113, PSAK 115, PSAK 221**

## Measurement on initial recognition

- On initial recognition, financial assets and financial liabilities are generally measured at fair value plus or minus directly attributable transaction costs if the instruments are not classified as at fair value through profit or loss (FVTPL).

## Subsequent measurement

- Financial assets are subsequently measured at fair value or amortised cost. If a financial asset is measured at fair value, then changes in its fair value are recognised as follows.
  - *Debt financial assets measured at fair value through other comprehensive income (FVOCI)*: Changes in fair value are recognised in other comprehensive income (OCI), except for foreign exchange gains and losses and expected credit losses, which are recognised in profit or loss. On derecognition, any gains or losses accumulated in OCI are reclassified to profit or loss.
  - *Equity financial assets measured at FVOCI*: All changes in fair value are recognised in OCI. The amounts in OCI are not reclassified to profit or loss.
  - *Financial assets at FVTPL*: All changes in fair value are recognised in profit or loss.
- Financial liabilities, other than those classified as at FVTPL, are generally measured at amortised cost.
- If a financial liability is mandatorily measured at FVTPL, then all changes in fair value are recognised in profit or loss.
- If a financial liability is designated as at FVTPL, then a split presentation of changes in fair value is generally required. The portion of the fair value changes that is attributable to changes in the financial liability's credit risk is recognised directly in OCI. The remainder is recognised in profit or loss. The amount presented in OCI is never reclassified to profit or loss.
- All derivatives (including separated embedded derivatives) are subsequently measured at fair value with changes in fair value recognised in profit or loss.

## Recognition of interest and dividend income

- Interest income and interest expense are calculated under the effective interest method. The effective interest rate is calculated on initial recognition based on estimated cash flows considering all of the contractual terms of the financial instrument but excluding expected credit losses. For floating rate instruments, the effective interest rate is updated to reflect movements in market rates of interest.
- Dividend income on equity investments measured at FVOCI is recognised in profit or loss, unless it clearly represents a repayment of part of the cost of the investment.

# 7.8 Impairment

**Currently effective: PSAK 109**
**Related accounting standards: PSAK 115**

## Scope

- The impairment model covers investments in debt instruments measured at amortised cost and fair value through other comprehensive income (FVOCI), certain loan commitments and financial guarantee contracts issued, lease receivables, trade receivables and contract assets.
- Investments in equity instruments are outside the scope of PSAK 109's impairment requirements.

## Expected credit loss model

- Impairment is recognised using an expected loss model, which means that it is not necessary for a loss event to occur before an impairment loss is recognised.
- The general approach uses two measurement bases: 12-month expected credit losses and lifetime expected credit losses, depending on whether the credit risk on a financial instrument has increased significantly since initial recognition.
- The model includes specific requirements for certain types of financial instruments and also certain practical expedients.

## Measurement

- Expected credit losses of a financial instrument are measured in a way that reflects:
  - a probability-weighted amount determined by evaluating a range of possible outcomes;
  - the time value of money; and
  - reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

# 7.9 Hedge accounting

**Currently effective: PSAK 109**
**Related accounting standards: PSAK 239, ISAK 116**

## Introduction

- Hedge accounting allows an entity to measure assets, liabilities and firm commitments selectively on a basis different from that otherwise stipulated in the Accounting Standards or to defer the recognition in profit or loss of gains or losses on derivatives.
- Hedge accounting is voluntary. However, it is permitted only when strict requirements related to documentation and effectiveness are met.
- Hedge accounting is required to be closely aligned with an entity's actual risk management objectives. As an alternative to hedge accounting, an entity may elect a fair value option for certain credit exposures.

## Hedge accounting models

- There are three hedge accounting models:
  - fair value hedges of fair value exposures;
  - cash flow hedges of exposures to variability in cash flows; and
  - net investment hedges of currency exposures on net investments in foreign operations.

## Qualifying hedged items

- Qualifying hedged items can be:
  - recognised assets or liabilities;
  - unrecognised firm commitments;
  - highly probable forecast transactions;
  - net investments in foreign operations; or
  - aggregated exposures (a combination of a non-derivative exposure and a derivative exposure).

## Qualifying hedged risks

- The hedged risk should be one that could affect profit or loss, or other comprehensive income (OCI) if the hedged item is an equity investment for which changes in fair value are presented in OCI.

## Qualifying hedging instruments

- The following contracts with a party external to the reporting entity qualify as hedging instruments:
  - derivative instruments (with some exceptions); and
  - certain non-derivative financial instruments.

## Hedge effectiveness

- Assessment of hedge effectiveness is conducted on a prospective basis only.
- Any actual ineffectiveness is recognised generally in profit or loss.

## Discontinuing hedge accounting

- Hedge accounting is discontinued prospectively if it ceases to meet the qualifying criteria after considering the rebalancing – for example, when:
  - the risk management objective for the hedging relationship has changed;
  - the hedging instrument expires or is sold, terminated or exercised;
  - there is no longer an economic relationship between the hedged item and the hedging instrument; or
- the effect of the credit risk starts dominating the value changes that result from the economic relationship.

## Macro hedge accounting

- The International Accounting Standards Board has a separate active project to address macro hedge accounting.
- In the meantime, PSAK 109 allows entities to apply hedge accounting requirements in PSAK 239, including those requirements for a fair value hedge of the interest rate exposure of a portfolio of financial instruments.

# 7.10 Presentation and disclosures

**Currently effective: PSAK 107**
**Forthcoming: Amendments to PSAK 109 and PSAK 107, PSAK 118**
**Related accounting standards: PSAK 109, PSAK 113, PSAK 201, PSAK 232**

## Offsetting

- A financial asset and a financial liability are offset only when an entity:
  - currently has a legally enforceable right to set off; and
  - has an intention to settle net or to settle both amounts simultaneously.

## Disclosure objectives

- An entity is required to disclose information that enables users to evaluate:
  - the significance of financial instruments for the entity's financial position and performance; and
  - the nature and extent of risks arising from financial instruments and how the entity manages those risks.

## Significance of financial instruments for financial position and performance

- Specific disclosure requirements include information on:
  - carrying amounts;
  - fair values;
  - items designated as at fair value through profit or loss;
  - investments in equity instruments designated as at fair value through other comprehensive income;
  - loss allowance for expected credit losses;
  - collateral;
  - hedge accounting;
  - offsetting of financial assets and financial liabilities and the effect of potential netting arrangements;
  - defaults and breaches;
  - interest rate benchmark reform; and
  - reclassification of financial assets between categories.

### Nature and extent of risks arising from financial instruments

- Disclosure of both qualitative and quantitative information is required.
- Qualitative disclosures describe management's objectives, policies and processes for managing risks arising from financial instruments.
- Quantitative data about the exposure to risks arising from financial instruments is based on information provided internally to key management.
- Additionally, certain disclosures about the entity's exposures to credit risk, liquidity risk and market risk arising from financial instruments are required, irrespective of whether this information is provided to management. For disclosures about reverse factoring (supplier finance) arrangements, see 2.3.

### Transfers of financial assets

- Information is provided about financial assets that are not derecognised in their entirety.
- Information is provided about financial assets that are derecognised in their entirety but in which the entity has a continuing involvement.

# 7.11 Transition to PSAK 109

**Currently effective: PSAK 109**
**Related accounting standards: PSAK 107, PSAK 208, PSAK 239**

## Introduction

- PSAK 109 is effective for annual periods beginning on or after 1 January 2020, with early adoption permitted.
- Transition is as follows:
  - *for classification and measurement, including impairment*: generally retrospective, but with significant exemptions; and
  - *for hedge accounting*: generally prospective, but with limited exceptions.
- Restatement of comparatives is not permitted if it requires the use of hindsight. However, restatement is required or permitted in limited circumstances related to hedge accounting.

## Date of initial application

- The date of initial application is the date on which an entity first applies PSAK 109. It is the beginning of the reporting period in which an entity adopts PSAK 109, and not the beginning of the comparative period.
- This date is relevant to several assessments necessary to apply PSAK 109, including:
  - the business model assessment;
  - an election to present changes in fair value of an equity instrument in other comprehensive income (OCI);
  - designations or revocation of designations of financial instruments as at fair value through profit or loss (FVTPL);
  - the determination of a significant increase in credit risk since initial recognition when assessing impairment; and
  - the assessment of compliance with qualifying hedge accounting criteria.
- PSAK 109 is not applied to financial instruments that have already been derecognised at the date of initial application.

## Disclosure

- Specific quantitative and qualitative disclosures are required in the reporting period in which PSAK 109 is initially applied.

# 7I Financial Instruments - PSAK 239

## 7I.1 Financial Instruments – Scope and Definitions

**Currently effective: PSAK 107, PSAK 232, PSAK 239**

### Scope

- The standards on financial instruments generally apply to all financial instruments. They also apply to a contract to buy or sell a non-financial item if the contract can be settled net in cash – including if the non-financial item is readily convertible into cash – unless the contract is held for delivery of the item in accordance with the entity's expected purchase, sale or usage requirements ('own use exemption').
- Financial instruments that are excluded from the scope include certain loan commitments and financial guarantee contracts as well as financial instruments in the scope of other specific PSAKs – e.g. investments in subsidiaries and associates, insurance contracts and employee benefits. However, certain investments in subsidiaries, associates and joint ventures are in the scope of the financial instruments standards.

### Definition

- A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.
- Financial instruments include a broad range of financial assets and financial liabilities. They include both primary financial instruments (e.g. cash, receivables, debt, shares in another entity) and derivative financial instruments (e.g. options, forwards, futures, interest rate swaps, currency swaps).

# 7I.2 Derivatives and embedded derivatives

**Currently effective: PSAK 239**

## Derivatives

- A derivative is a financial instrument or other contract in the scope of the financial instruments standard, the value of which changes in response to some underlying variable (other than a non-financial variable that is specific to a party to the contract), that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable and that will be settled at a future date.

## Embedded derivatives

- An embedded derivative is a component of a hybrid contract that affects the cash flows of the hybrid contract in a manner similar to a stand-alone derivative instrument.
- A hybrid instrument also includes a non-derivative host contract that may be a financial or a non-financial contract.
- A hybrid instrument is assessed to determine whether the embedded derivative(s) is required to be accounted for separately from the host contract.
- An embedded derivative is not accounted for separately from the host contract if it is closely related to the host contract, if a separate instrument with the same terms as the embedded derivative would not meet the definition of a derivative or if the entire contract is measured at fair value through profit or loss. In other cases, an embedded derivative is accounted for separately as a derivative.

# 7I.3 Equity and financial liabilities

**Currently effective: PSAK 232, PSAK 239**
**Related accounting standards: PSAK 201, PSAK 212, ISAK 117, ISAK 119**

## Classification

- An instrument, or its components, is classified on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.
- If a financial instrument has both equity and liability components, then they are classified separately.

## Recognition and measurement

- Gains and losses on transactions in an entity's own equity instruments are recognised directly in equity.
- Dividends and other distributions to the holders of equity instruments are recognised directly in equity.
- Incremental costs that are directly attributable to equity transactions such as issuing or buying back own equity instruments are recognised directly in equity. In our view, this includes qualifying costs attributable to the distribution of a dividend.

## Reclassification of instruments between liability and equity

- The classification of an instrument is made on initial recognition and is not generally revised as a result of subsequent changes in circumstances. However, a reclassification between equity and liability or vice versa may be required in some cases.

## Presentation

- There are no specific requirements in the Accounting Standards on how to present the individual components of equity. An entity considers its legal environment when determining how to present its own shares within equity.
- Non-controlling interests are presented in the consolidated statement of financial position within equity separately from the parent shareholders' equity.

# 7I.4 Classification of financial assets and financial liabilities

**Currently effective: PSAK 239**

## Classification

- Financial assets are classified into one of four categories: at fair value through profit or loss (FVTPL); loans and receivables; held-to-maturity; or available-for-sale. Financial liabilities are categorised as either at FVTPL, or other liabilities. The categorisation determines whether and where any remeasurement to fair value is recognised.
- Financial assets and financial liabilities classified as at FVTPL are further subcategorised as held-for-trading (which includes derivatives) or designated as at FVTPL on initial recognition.

## Reclassification of financial assets

- Reclassifications of financial assets are permitted or required if specific conditions are met.
- Financial assets may not be reclassified into the FVTPL category after initial recognition.
- Reclassifications or sales of held-to-maturity assets may require other held-to-maturity assets to be reclassified as available-for-sale.

## Reclassification of financial liabilities

- Reclassification of financial liabilities into and out of FVTPL is not permitted.

# 71.5 Recognition and derecognition

**Currently effective: PSAK 239**

## Initial recognition

- Financial assets and financial liabilities, including derivative instruments, are recognised in the statement of financial position when the entity becomes a party to the contract. However, 'regular-way' purchases and sales of financial assets are recognised either at trade date or at settlement date.

## Derecognition of financial assets

- A financial asset is derecognised only when the contractual rights to the cash flows from the financial asset expire or when the financial asset is transferred and the transfer meets certain specified conditions.
- An entity derecognises a transferred financial asset if it transfers substantially all of the risks and rewards of ownership. An entity does not derecognise a transferred financial asset if it retains substantially all of the risks and rewards of ownership.
- An entity continues to recognise a transferred financial asset to the extent of its continuing involvement if it has neither retained nor transferred substantially all of the risks and rewards of ownership, and it has retained control of the financial asset.

## Derecognition of financial liabilities

- A financial liability is derecognised when it is extinguished – i.e. it is discharged or cancelled or expires – or when its terms are substantially modified.

# 7I.6 Measurement and gains and losses

**Currently effective: PSAK 113, PSAK 239, PSAK 115, PSAK 201**

## Measurement on initial recognition

- On initial recognition, financial assets and financial liabilities are generally measured at fair value plus or minus directly attributable transaction costs if the instruments are not classified as at fair value through profit or loss (FVTPL).

## Subsequent measurement

- Financial assets are subsequently measured at fair value, except for loans and receivables and held-to-maturity investments (which are measured at amortised cost) and investments in unlisted equity instruments in the rare circumstances that fair value cannot be measured reliably (which are measured at cost).
- Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income (OCI), except for impairment losses and foreign exchange gains and losses on available-for-sale monetary items, which are recognised in profit or loss. On derecognition, any gains or losses accumulated in OCI are reclassified to profit or loss.
- Financial liabilities, other than those classified at FVTPL, are generally measured at amortised cost.
- Changes in the fair value of financial assets and financial liabilities at FVTPL are recognised in profit or loss.
- All derivatives (including separated embedded derivatives) are measured at fair value with changes in fair value recognised in profit or loss.

## Recognition of interest

- Interest income and interest expense are calculated using the effective interest method. The effective interest rate is calculated at initial recognition based on estimated cash flows considering all of the contractual terms of the financial instrument but excluding future credit losses. For floating rate instruments, the effective interest rate is updated to reflect movements in market rates of interest.

## Impairment of financial assets

- An entity assesses whether there is objective evidence of impairment of financial assets not measured at FVTPL. When there is objective evidence of impairment, any impairment loss is recognised in profit or loss.
- Objective evidence of impairment arises from loss events that have occurred after initial recognition of the financial asset that have an impact on the estimated future cash flows of the asset.
- For investments in equity instruments, a significant or prolonged decline in fair value below cost is also objective evidence of impairment. Impairment losses on equity instruments cannot be reversed.
- Objective evidence of impairment is assessed individually for assets that are individually significant and collectively for other assets. A collective assessment is also performed for assets for which no objective evidence of impairment has been identified on an individual basis.
- The measurement of impairment depends on whether a financial asset is measured at amortised cost (i.e. classified as loans and receivables or held-to maturity) or classified as available-for-sale.

# 7I.7 Hedge accounting

**Currently effective: PSAK 239, ISAK 116**

## Introduction

- Hedge accounting allows an entity to measure assets, liabilities and firm commitments selectively on a basis different from that otherwise stipulated in Accounting Standards or to defer the recognition in profit or loss of gains or losses on derivatives.
- Hedge accounting is voluntary. However, it is permitted only when strict requirements on documentation and effectiveness are met.

## Hedge accounting models

- There are three hedge accounting models:
  - fair value hedges of fair value exposures;
  - cash flow hedges of exposures to variability in cash flows; and
  - net investment hedges of foreign currency exposures on net investments in foreign operations.

## Qualifying hedged items

- Qualifying hedged items can be:
  - recognised assets or liabilities;
  - unrecognised firm commitments;
  - highly probable forecast transactions; or
  - net investments in foreign operations.

## Qualifying hedged risks

- The hedged risk should be one that could affect profit or loss.

### Qualifying hedging instruments

- In general, only derivative instruments entered into with an external party qualify as hedging instruments.
- However, for hedges of foreign exchange risk only, non-derivative financial instruments may qualify as hedging instruments.

### Hedge effectiveness

- Effectiveness testing is conducted on both a prospective and a retrospective basis. In order for a hedge to be highly effective, changes in the fair value or cash flows of the hedged item attributable to the hedged risk should be offset by changes in the fair value or cash flows of the hedging instrument within a range of 80–125 percent.
- Any actual ineffectiveness is recognised in profit or loss.

### Discontinuing hedge accounting

- Hedge accounting is discontinued prospectively if:
  - the hedged transaction is no longer highly probable;
  - the hedging instrument expires or is sold, terminated or exercised;
  - the hedged item is sold, settled or otherwise disposed of;
  - the hedge is no longer highly effective; or
  - the entity revokes the designation.

# 7I.8 Presentation and disclosures

**Currently effective: PSAK 107**
**Related standards: PSAK 113, PSAK 201, PSAK 232**

## Offsetting

- A financial asset and a financial liability are offset only when the entity:
  - currently has a legally enforceable right to set off; and
  - has an intention to settle net or to settle both amounts simultaneously.

## Disclosure objectives

- An entity is required to disclose information that enables users to evaluate:
  - the significance of financial instruments for the entity's financial position and performance; and
  - the nature and extent of risks arising from financial instruments and how the entity manages those risks.

## Significance of financial instruments for financial position and performance

- Specific disclosure requirements include information on:
  - carrying amounts;
  - fair values;
  - items designated at fair value through profit or loss;
  - reclassification of financial assets between categories;
  - offsetting of financial assets and financial liabilities and the effect of potential netting arrangements;
  - collateral; and
  - hedge accounting.

### Nature and extent of risks arising from financial instruments

- Disclosure of both qualitative and quantitative information is required.
- Qualitative disclosures describe management's objectives, policies and processes for managing risks arising from financial instruments.
- Quantitative data about the exposure to risks arising from financial instruments is based on information provided internally to key management. However, certain disclosures about the entity's exposures to credit risk, liquidity risk and market risk arising from financial instruments are required, irrespective of whether this information is provided to management.

### Transfers of financial assets

- Information is provided about financial assets that are not derecognised in their entirety.
- Information is provided about financial assets that are derecognised in their entirety but in which the entity has a continuing involvement.

# 8 Insurance contracts

## 8.1 Insurance contracts

**Currently effective: PSAK 104, PSAK 326, PSAK 328**
**Forthcoming: PSAK 117**

### Scope

- An insurance contract is a contract that transfers significant insurance risk. Insurance risk is 'significant' if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding those that lack commercial substance.
- A financial instrument that does not meet the definition of an insurance contract (including investments held to back insurance liabilities) is accounted for under the general recognition and measurement requirements for financial instruments (see section 7 and 7I).
- Financial instruments that include discretionary participation features are in the scope of the standard – i.e. existing accounting policies may be applied, although these are subject to the general financial instrument disclosures (see section 7.10 and 7I.8).

### Recognition and measurement

- Generally, entities that issue insurance contracts are required to continue their existing accounting policies with respect to insurance contracts except when the standard requires or permits changes in accounting policies.
- Changes in existing accounting policies for insurance contracts are permitted only if the new policy, or a combination of new policies, results in information that is more relevant or reliable, or both, without reducing either relevance or reliability.
- The recognition of catastrophe and equalisation provisions is prohibited for contracts not in existence at the reporting date.
- A liability adequacy test is required to ensure that the measurement of an entity's insurance liabilities considers all contractual cash flows, using current estimates.
- The application of 'shadow accounting' for insurance liabilities is permitted for consistency with the treatment of unrealised gains or losses on assets.

### The general measurement model – Subsequent measurement

- An expanded presentation of the fair value of insurance contracts acquired in a business combination or portfolio transfer is permitted.

### Presentation and disclosures

- Significant disclosures are required of the terms, conditions and risks related to insurance contracts, consistent in principle with those required for financial assets and financial liabilities.

# 8.1A Insurance contracts

**Forthcoming: PSAK 117**

PSAK 117 *Insurance Contracts* is effective for annual periods beginning on or after 1 January 2025. Early adoption is permitted if PSAK 109 (see section 7) is applied on the date of adoption or earlier.

## Scope

- An insurance contract is a contract that transfers significant insurance risk. Insurance risk is 'significant' if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding those that lack commercial substance.
- A financial instrument that does not meet the definition of an insurance contract (including investments held to back insurance liabilities) is accounted for under the general recognition and measurement requirements for financial instruments (see section 7).
- Investment contracts that include discretionary participation features are in the scope of the accounting standard, provided that the entity also issues insurance contracts.

## The general measurement model – Initial recognition

- On initial recognition, the liability of a group of insurance contracts is made up of the following components.
  - The fulfilment cash flows, which represent the risk-adjusted present value of the future cash flows, comprising estimates of future cash flows, discounting and a risk adjustment for non-financial risk.
  - The contractual service margin (CSM), which represents the unearned profit that the entity will recognise as it provides services over the coverage period. The CSM includes the effects of cash flows occurring on the date of recognition and the effects of derecognising any assets or liabilities recognised before the group of contracts – e.g. an asset for insurance acquisition cash flows paid related to the group of insurance contracts recognised.
- If the sum of the two components results in a net outflow on initial recognition, then the total outflow is recognised as an immediate loss.

### The general measurement model – Subsequent measurement

- Subsequent to initial recognition, the liability of a group of insurance contracts comprises the liability for remaining coverage (fulfilment cash flows for future services and the CSM) and the liability for incurred claims (fulfilment cash flows for claims and expenses already incurred but not yet paid).
- The fulfilment cash flows are remeasured at each reporting date to reflect current estimates. Generally, the changes in the fulfilment cash flows are treated in a number of ways:
  - changes in the effect of the time value of money and financial risk are reflected in the statement of profit or loss and other comprehensive income (OCI);
  - changes related to past and current service are recognised in profit or loss; and
  - changes related to future service adjust the CSM.

### A simplified approach and modifications to the general measurement model

- When certain criteria are met, an entity may apply a simplified approach – the premium allocation approach.
- The general measurement model is modified when applied to:
  - reinsurance contracts held;
  - direct participating contracts; and
  - investment contracts with discretionary participation features.

### Presentation

- Insurance revenue is derived from the changes in the liability for remaining coverage for each reporting period that relate to services for which the entity expects to receive consideration.
- Investment components are excluded from insurance revenue and insurance service expenses.
- The insurance service result is presented separately from insurance finance income or expense.
- Entities can choose to disaggregate insurance finance income or expense between profit or loss and OCI.

### Transition

- Full retrospective application is required to restate prior-year comparatives and to determine the CSM at transition. However, if it is impracticable, a modified retrospective approach and a fair value approach are available.
- Limited ability to redesignate some financial assets on initial application of PSAK 117.

# Appendix 1

## New accounting standards or amendments for 2024 and forthcoming requirements

This Appendix 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<br>PSAK 409: *Accounting for Zakat, Infaq and Sadaqah* |

*In addition, SAK *International*, 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).

## Forthcoming requirements

| Effective date | New accounting standards or amendments |
|---|---|
| 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.

# Appendix 2

## New standards numbering and table of currently effective SAK Indonesia

A new numbering of Accounting Standards is effective from 1 January 2024. The three-digit numbering rules are as follows:

- PSAK 1xx for standards that adopt IFRSs.
- PSAK 2xx for standards that adopt IASs.
- PSAK 3xx for locally developed standards.
- PSAK 4xx for locally developed sharia standards.
- ISAK 1xx for interpretations that adopt IFRIC Interpretations.
- ISAK 2xx for interpretations that adopt SIC Interpretations.
- ISAK 3xx for locally developed interpretations.
- ISAK 4xx for locally developed sharia interpretations.

The following table lists Accounting Standards that are effective for annual reporting periods beginning on or after 1 January 2024 under the new numbering, and its comparison to previous numbering:

| New numbering | Previous numbering | Standard title – Bahasa Indonesia | Standard title – English |
|---|---|---|---|
| PSAK 102 | PSAK 53 | *Pembayaran Berbasis Saham* | Share-based Payment |
| PSAK 103 | PSAK 22 | *Kombinasi Bisnis* | Business Combinations |
| PSAK 104 | PSAK 62 | *Kontrak Asuransi* | Insurance Contracts |
| PSAK 105 | PSAK 58 | *Aset Tidak Lancar yang Dikuasai untuk Dijual dan Operasi yang Dihentikan* | Non-current Assets Held for Sale and Discontinued Operations |

| New numbering | Previous numbering | Standard title – Bahasa Indonesia | Standard title – English |
|---|---|---|---|
| PSAK 106 | PSAK 64 | *Aktivitas Eksplorasi dan Evaluasi pada Pertambangan Sumber Daya Mineral* | Exploration for and Evaluation of Mineral Resources |
| PSAK 107 | PSAK 60 | *Instrumen Keuangan: Pengungkapan* | Financial Instruments : Disclosures |
| PSAK 108 | PSAK 5 | *Segmen Operasi* | Operating Segments |
| PSAK 109 | PSAK 71 | *Instrumen Keuangan* | Financial Instruments |
| PSAK 110 | PSAK 65 | *Laporan Keuangan Konsolidasian* | Consolidated Financial Statements |
| PSAK 111 | PSAK 66 | *Pengaturan Bersama* | Joint Arrangements |
| PSAK 112 | PSAK 67 | *Pengungkapan Kepentingan dalam Entitas Lain* | Disclosure of Interests in Other Entities |
| PSAK 113 | PSAK 68 | *Pengukuran Nilai Wajar* | Fair Value Measurement |
| PSAK 115 | PSAK 72 | *Pendapatan dari Kontrak dengan Pelanggan* | Revenue from Contracts with Customers |
| PSAK 116 | PSAK 73 | *Sewa* | Leases |
| PSAK 201 | PSAK 1 | *Penyajian Laporan Keuangan* | Presentation of Financial Statements |
| PSAK 202 | PSAK 14 | *Persediaan* | Inventories |
| PSAK 207 | PSAK 2 | *Laporan Arus Kas* | Statement of Cash Flows |
| PSAK 208 | PSAK 25 | *Kebijakan Akuntansi, Perubahan Estimasi Akuntansi, dan Kesalahan* | Accounting Policies, Changes in Accounting Estimates and Errors |
| PSAK 210 | PSAK 8 | *Peristiwa Setelah Periode Pelaporan* | Events after the Reporting Period |
| PSAK 212 | PSAK 46 | *Pajak Penghasilan* | Income Taxes |
| PSAK 216 | PSAK 16 | *Aset Tetap* | Property, Plant and Equipment |
| PSAK 219 | PSAK 24 | *Imbalan Kerja* | Employee Benefits |

| New numbering | Previous numbering | Standard title – Bahasa Indonesia | Standard title – English |
|---|---|---|---|
| PSAK 220 | PSAK 61 | *Akuntansi Hibah Pemerintah dan Pengungkapan Bantuan Pemerintah* | Accounting for Government Grants and Disclosure of Government Assistance |
| PSAK 221 | PSAK 10 | *Pengaruh Perubahan Kurs Valuta Asing* | The Effects of Changes in Foreign Exchange Rates |
| PSAK 223 | PSAK 26 | *Biaya Pinjaman* | Borrowing Costs |
| PSAK 224 | PSAK 7 | *Pengungkapan Pihak-Pihak Berelasi* | Related Party Disclosures |
| PSAK 226 | PSAK 18 | *Akuntansi dan Pelaporan Program Manfaat Purnakarya* | Accounting and Reporting by Retirement Benefit Plans |
| PSAK 227 | PSAK 4 | *Laporan Keuangan Tersendiri* | Separate Financial Statements |
| PSAK 228 | PSAK 15 | *Investasi pada Entitas Asosiasi dan Ventura Bersama* | Investments in Associates and Joint Ventures |
| PSAK 229 | PSAK 63 | *Pelaporan Keuangan dalam Ekonomi Hiperinflasi* | Financial Reporting in Hyperinflationary Economies |
| PSAK 232 | PSAK 50 | *Instrumen Keuangan: Penyajian* | Financial Instruments: Presentation |
| PSAK 233 | PSAK 56 | *Laba per Saham* | Earnings per Share |
| PSAK 234 | PSAK 3 | *Laporan Keuangan Interim* | Interim Financial Reporting |
| PSAK 236 | PSAK 48 | *Penurunan Nilai Aset* | Impairment of Assets |
| PSAK 237 | PSAK 57 | *Provisi, Liabilitas Kontinjensi, dan Aset Kontinjensi* | Provisions, Contingent Liabilities and Contingent Assets |
| PSAK 238 | PSAK 19 | *Aset Takberwujud* | Intangible Assets |
| PSAK 239 | PSAK 55 | *Instrumen Keuangan: Pengakuan dan Pengukuran* | Financial Instruments: Recognition and Measurement |
| PSAK 240 | PSAK 13 | *Properti Investasi* | Investment Property |
| PSAK 241 | PSAK 69 | *Agrikultur* | Agriculture |

| New numbering | Previous numbering | Standard title – Bahasa Indonesia | Standard title – English |
|---|---|---|---|
| PSAK 328 | PSAK 28 | *Akuntansi Kontrak Asuransi Kerugian* | Accounting for Loss Insurance |
| PSAK 336 | PSAK 36 | *Akuntansi Kontrak Asuransi Jiwa* | Accounting for Life Insurance |
| PSAK 338 | PSAK 38 | *Kombinasi Bisnis Entitas Sepengendali* | Business Combination Entities Under Common Control |
| PSAK 370 | PSAK 70 | *Akuntansi Aset dan Liabilitas Pengampunan Pajak* | Accounting for Tax Amnesty Assets and Liabilities |
| ISAK 101 | ISAK 9 | *Perubahan atas Liabilitas Aktivitas Purnaoperasi, Restorasi, dan Liabilitas Serupa* | Changes in Existing Decommissioning, Restoration and Similar Liabilities |
| ISAK 107 | ISAK 19 | *Penerapan Pendekatan Penyajian Kembali dalam PSAK 229: Pelaporan Keuangan dalam Ekonomi Hiperinflasi* | Applying the Restatement Approach under PSAK 229: Financial Reporting in Hyperinflationary Economies |
| ISAK 110 | ISAK 17 | *Laporan Keuangan Interim dan Penurunan Nilai* | Interim Financial Reporting and Impairment |
| ISAK 112 | ISAK 16 | *Perjanjian Konsesi Jasa* | Service Concession Arrangements |
| ISAK 114 | ISAK 15 | *PSAK 219 – Batas Aset Imbalan Pasti, Persyaratan Pendanaan Minimum, dan Interaksinya* | PSAK 219 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |
| ISAK 116 | ISAK 13 | *Lindung Nilai Investasi Neto dalam Kegiatan Usaha Luar Negeri* | Hedges of a Net Investment in a Foreign Operation |
| ISAK 117 | ISAK 11 | *Distribusi Aset Nonkas kepada Pemilik* | Distributions of Non-cash Assets to Owners |
| ISAK 119 | ISAK 28 | *Pengakhiran Liabilitas Keuangan dengan Instrumen Ekuitas* | Extinguishing Financial Liabilities with Equity Instruments |
| ISAK 120 | ISAK 29 | *Biaya Pengupasan Lapisan Tanah dalam Tahap Produksi pada Tambang Terbuka* | Stripping Costs in the Production Phase of a Surface Mine |

| New numbering | Previous numbering | Standard title – Bahasa Indonesia | Standard title – English |
|---|---|---|---|
| ISAK 121 | ISAK 30 | *Pungutan* | Levies |
| ISAK 122 | ISAK 33 | *Transaksi Valuta Asing dan Imbalan di Muka* | Foreign Currency Transactions and Advance Consideration |
| ISAK 123 | ISAK 34 | *Ketidakpastian dalam Perlakuan Pajak Penghasilan* | Uncertainty over Income Tax Treatments |
| ISAK 210 | ISAK 18 | *Bantuan Pemerintah – Tidak Berelasi Spesifik dengan Aktivitas Operasi* | Government Assistance - No Specific Relation to Operating Activities |
| ISAK 225 | ISAK 20 | *Pajak Penghasilan – Perubahan dalam Status Pajak Entitas atau Para Pemegang Sahamnya* | Income Taxes—Changes in the Tax Status of an Entity or its Shareholders |
| ISAK 229 | ISAK 22 | *Perjanjian Konsesi Jasa: Pengungkapan* | Service Concession Arrangements: Disclosures |
| ISAK 232 | ISAK 14 | *Aset Takberwujud – Biaya Situs Web* | Intangible Assets - Web Site Costs |
| ISAK 331 | ISAK 31 | *Interpretasi atas Ruang Lingkup PSAK 240: Properti Investasi* | Interpretation of PSAK 240: Investment Property |
| ISAK 332 | ISAK 32 | *Definisi dan Hierarki Standar Akuntansi Keuangan* | Definition and Hierarchy of Financial Accounting Standards |
| ISAK 335 | ISAK 35 | *Penyajian Laporan Keuangan Entitas Berorientasi Nonlaba* | Presentation of Financial Statements for Non-profit Oriented Entities |
| ISAK 336 | ISAK 36 | *Interpretasi atas Interaksi antara Ketentuan Mengenai Hak atas Tanah dalam PSAK 216: Aset Tetap dan PSAK 116: Sewa* | Interpretation on Interaction Between Requirements of Land Rights in PSAK 216: Fixed Assets and PSAK 116: Leases |
| PSAK 401 | PSAK 101 | *Penyajian Laporan Keuangan Syariah* | Presentation of Sharia Financial Statements |
| PSAK 402 | PSAK 102 | *Akuntansi Murabahah* | Accounting for *Murabahah* |
| PSAK 403 | PSAK 103 | *Akuntansi Salam* | Accounting for *Salam* |

| New numbering | Previous numbering | Standard title – Bahasa Indonesia | Standard title – English |
|---|---|---|---|
| PSAK 404 | PSAK 104 | *Akuntansi Istishna'* | Accounting for *Istishna'* |
| PSAK 405 | PSAK 105 | *Akuntansi Mudharabah* | Accounting for *Mudharabah* |
| PSAK 406 | PSAK 106 | *Akuntansi Musyarakah* | Accounting for *Musyarakah* |
| PSAK 407 | PSAK 107 | *Akuntansi Ijarah* | Accounting for *Ijarah* |
| PSAK 408 | PSAK 108 | *Akuntansi Transaksi Asuransi Syariah* | Accounting for Sharia Insurance Transactions |
| PSAK 409 | PSAK 109 | *Akuntansi Zakat, Infak dan Sedekah* | Accounting for *Zakat*, *Infaq* and *Sadaqah* |
| PSAK 410 | PSAK 110 | *Akuntansi Sukuk* | Accounting for *Sukuk* |
| PSAK 411 | PSAK 111 | *Akuntansi Wa'd* | Accounting for *Wa'd* |
| PSAK 412 | PSAK 112 | *Akuntansi Wakaf* | Accounting for *Waqf* |
| PSAK 459 | PSAK 59 | *Akuntansi Perbankan Syariah* | Accounting for Sharia Banking |
| ISAK 401 | ISAK 101 | *Pengakuan Pendapatan Murabahah Tangguh Tanpa Risiko Signifikan Terkait Kepemilikan Persediaan* | Revenue Recognition for Deferred *Murabahah* without Significant Risk Relating to Ownership of Inventory |
| ISAK 402 | ISAK 102 | *Penurunan Nilai Piutang Murabahah* | Impairment of *Murabahah* Receivables |

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