PSAK 118 in a Lens:

Redefining clarity and comparability of financial statements presentation

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Preface

PSAK 118: *Presentation and Disclosure in Financial Statements* was issued on 28 May 2025, is effective for annual reporting period on or after 1 January 2027, and allows for earlier application. PSAK 118 adopts IFRS 18 (issued in 2024), and is intended to address investors' concern about inconsistency, transparency, and comparability in how companies present their financial performance, particularly income statement. Whilst companies' net profit will not change as a result of applying PSAK 118, companies will change the way they present their results on the face of the income statement and disclose information in the notes to the financial statements. The new standard requires entities to present the income statement in a more structured and standardized way (including new categories and defined subtotals), to include the disclosure of management-defined performance measures (MPMs) as part of the general purpose financial statements, and to reassess the aggregation and disaggregation of information.

PSAK 118 will affect all companies across different industries. Now is the time for companies to get ready, by focusing on relevant detailed requirements of PSAK 118 and apply them to their specific circumstances. In some cases, companies may need to make new judgements, navigate complexities and oversee changes to their existing systems and processes.

This publication provides key changes introduced by PSAK 118, hence it may not include complete requirements of PSAK 118. Reading of PSAK 118 is encouraged to get comprehensive understanding of the requirements of PSAK 118.

Contents

1 Overview of PSAK 118

Key areas	Highlights	For your actions
New categories of income and expenses – section 2.1	Income and expenses are classified into operating, investing, and financing categories. Share of profit or loss from equity-accounted investees are presented in investing category. Specific requirements apply for classification of certain items e.g. foreign exchange differences, gains/losses from derivatives and hedging instruments.	Reassess existing presentation and classification of income and expenses against definition of each category under the new standard.
Specified main business activity (SMBA) – section 2.1, 5.1	• Specific requirements apply for entities with SMBA. Some income and expenses of entities with SMBA are classified in the operating category, rather than in investing or financing category. • Assessment is made at a reporting entity level. Group's SMBA might differ from SMBA at individual entity level.	• Assess whether the reporting entity has SMBA. • If SMBA at Group level differs from those at individual entities within the Group, additional consolidation adjustments and/or additional set up of Group's chart of accounts might be necessary.
Subtotals – section 2.2	Mandatory subtotals are required to be presented, i.e. operating profit or loss and profit or loss before financing and income taxes.	• Consider whether additional subtotal complies with the new requirements. • Additional subtotal may be presented if it provides a useful structured summary.

Key areas	Highlights	For your actions
Approach for presentation of expenses – section 2.3	• Expenses may be presented by nature, function, or mixed approach. • Expenses presented by function and mixed approach are subject to new disclosure requirements.	Determine the approach to present the expense, which depends on whichever approach will provide more useful structured summary of expenses.
Management-defined performance measures (MPMs) – section 3	• MPMs are subject to disclosure requirements, such as the description of MPMs, how MPMs are calculated, and a reconciliation to the most directly comparable subtotal. • MPMs are disclosed in a single note in the financial statements, thus form part the general purpose financial statements and is subject to audit.	• Identify all MPMs to ensure completeness. • Revisit existing non-GAAP measures and assess if those measures meet the definition of MPMs under the new standard, and thus subject to new disclosure requirements. • Assess whether supporting data, process, and/ or systems need to be updated to support the MPM disclosure.
Aggregation and disaggregation – section 4	• Consider complementary role of primary financial statements and the notes to decide where to provide material information. • Aggregate and disaggregate information based on similarity of characteristics of the grouped items.	• Determine whether to present material information in the primary financial statements, or to disclose it in the notes. • Review existing groupings of information based on shared vs non-shared characteristics, and prevent material information being obscured.
Labeling and descriptions – section 4.3	• Line items must be clearly labeled to reflect their substance. • Generic label like “other” is discouraged. • Additional disclosures for amounts labelled as “other”.	Revisit items labelled as “other” and determine whether it shall be changed to more informative label and whether additional disclosure is necessary.

Key areas	Highlights	For your actions
Cash flow statements – section 6.1	• Operating profit should be used as the starting point for indirect method. • Classification of interest and dividend is no longer an accounting policy choice.	• If indirect method is applied, revisit the starting point and components forming part operating cash flows. • Revisit existing accounting policy choice for classifying interest and dividend cash flows.
Interim financial reporting – section 6.3	Upon initial application of PSAK 118: • When preparing condensed interim financial statements, an entity shall present the subtotal and headings required by PSAK 118 along with restated comparative figure, despite the requirement in PSAK 234.10. • When preparing interim financial statements, an entity is required to disclose reconciliation between the restated amount presented under PSAK 118 and amount previously presented under PSAK 201 for the comparative periods.	Plan ahead to prepare interim financial statements upon initial application of PSAK 118, anticipate major changes to the income statement structure and the need to present comparative figures based on PSAK 118 and to disclose the required reconciliation.
Transition and adoption – section 7	• Effective on 1 January 2027, retrospective application, with early adoption permitted. • Eligible entity is permitted to change the accounting policy to measure investment in associate or joint venture.	Start earlier to assess the impact of PSAK 118 application, particularly on financial reporting process and systems.

2 Income statement structure

Under PSAK 201: *Presentation of Financial Statements*, entities had various ways in presenting profit or loss, leading to inconsistent measures of key performance indicators, such as operating profit. PSAK 118—which will replace PSAK 201—introduces a structured and uniform presentation of the income statement, by requiring all entities to:

- classify income and expenses to three new categories based on their main business activities, i.e. operating, investing, financing—in addition to two existing categories, i.e. income taxes and discontinued operations;
- present two new required subtotals, i.e. operating profit and profit or loss before financing and income tax; and
- present operating expenses either by nature, function, or both.

PSAK 118.CI10

The following is an illustrative example of the income statement structure for an entity without specified main business activities (SMBA):

	Illustrative income statement Entities without specified main business activities[1]	
Operating[2]	Revenue	X
	Operating expenses (analyzed by nature, function or both as appropriate)	(X)
	Operating profit or loss	**X**
Investing[2]	Share of profit or loss of equity-accounted investees	X
	Income from other investments	X
	Interest income from cash and cash equivalents	X
	Profit or loss before financing and income tax[3]	**X**
Financing[2,3]	Interest expense on borrowings and lease liabilities	(X)
	Interest expense on pension liabilities	(X)
	Profit or loss before income tax	**X**
Income tax	Income tax expense	(X)
	Profit or loss from continuing operations	**X**
Discontinued operation	Profit or loss from discontinued operation	X
	Profit or loss	**X**

New categories

New subtotals

Notes:

[1] Entities with specified main business activities of 'investing in assets' (e.g. insurers, investment property companies) or providing financing to customers (e.g. banks) classify additional income and expenses in the operating category, which would otherwise be classified in the investing or financing category.

[2] The operating, investing and financing categories are not aligned with those for the cash flow statement.

[3] Entities providing financing to customers as their ***only*** main business activity (e.g. banks) typically do not present this subtotal.

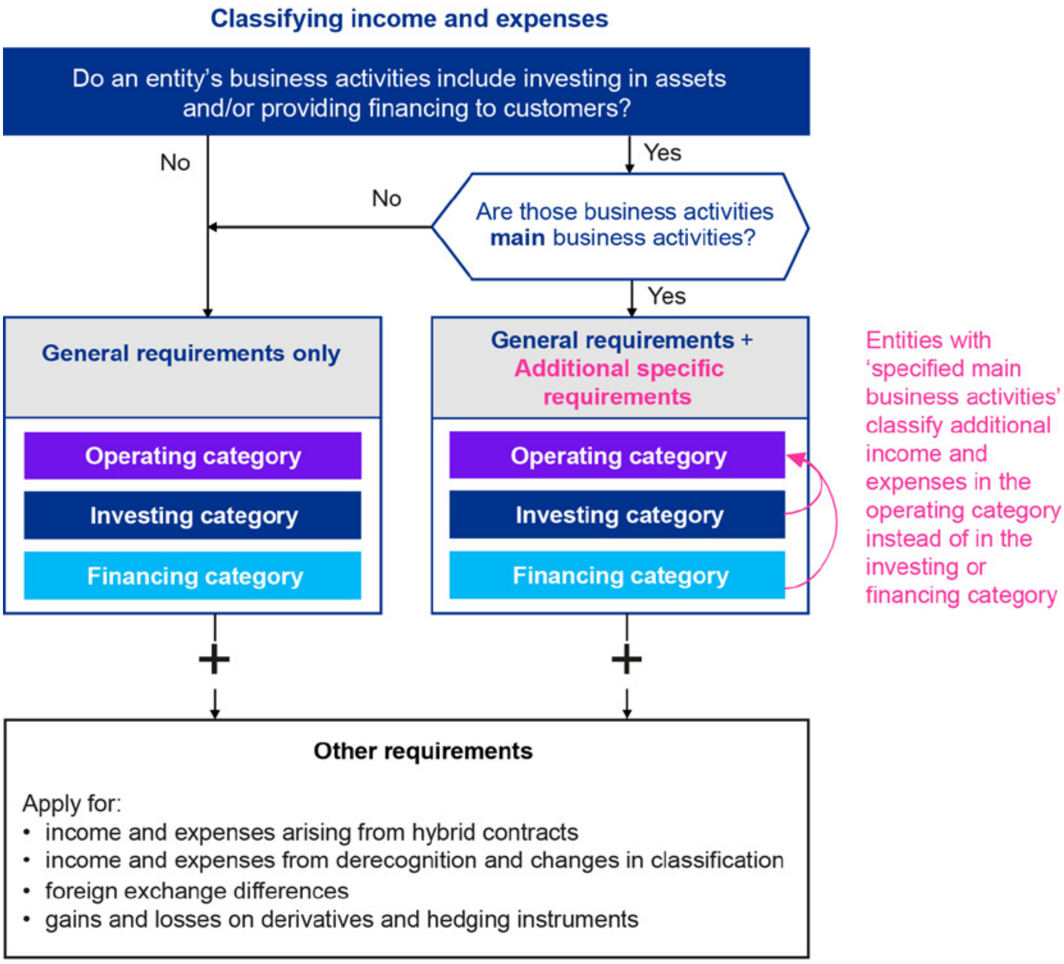
2.1 Classifying income and expenses

PSAK 118 includes detailed requirements for classifying income and expenses in each category. The operating category—as well as the newly required subtotal operating profit—is intended to portray complete picture of an entity's operation, thus typically it includes income and expenses from an entity's main business activities.

PSAK 118.47, 55-58, 65-66

PSAK 118 specifies that an entity shall consider if its main business activity is either or both investing in particular types of assets or providing financing to customers (i.e. SMBA). Entities with SMBA—e.g. banks, insurers, or investment property companies—will have to classify into operating category those income and expenses that would have otherwise been classified by entities in other industries as investing or financing category. See section 9 for illustrative income statement of entities with SMBA (a retail and investment bank and an insurer) applying PSAK 118.

The following diagram provides guidance on how an entity classifies income and expenses, including when it has specified main business.



Operating category

PSAK 118.52, PP42

Operating category is the “default” classification for income and expenses in the income statement. It generally reflects the results of an entity’s main business activities, and includes all income and expenses that do not belong to the other categories. Income and expenses from an entity’s operation, even if they are volatile or unusual, are also classified as operating category.

Investing category

PSAK 118.53, PP43-PP46

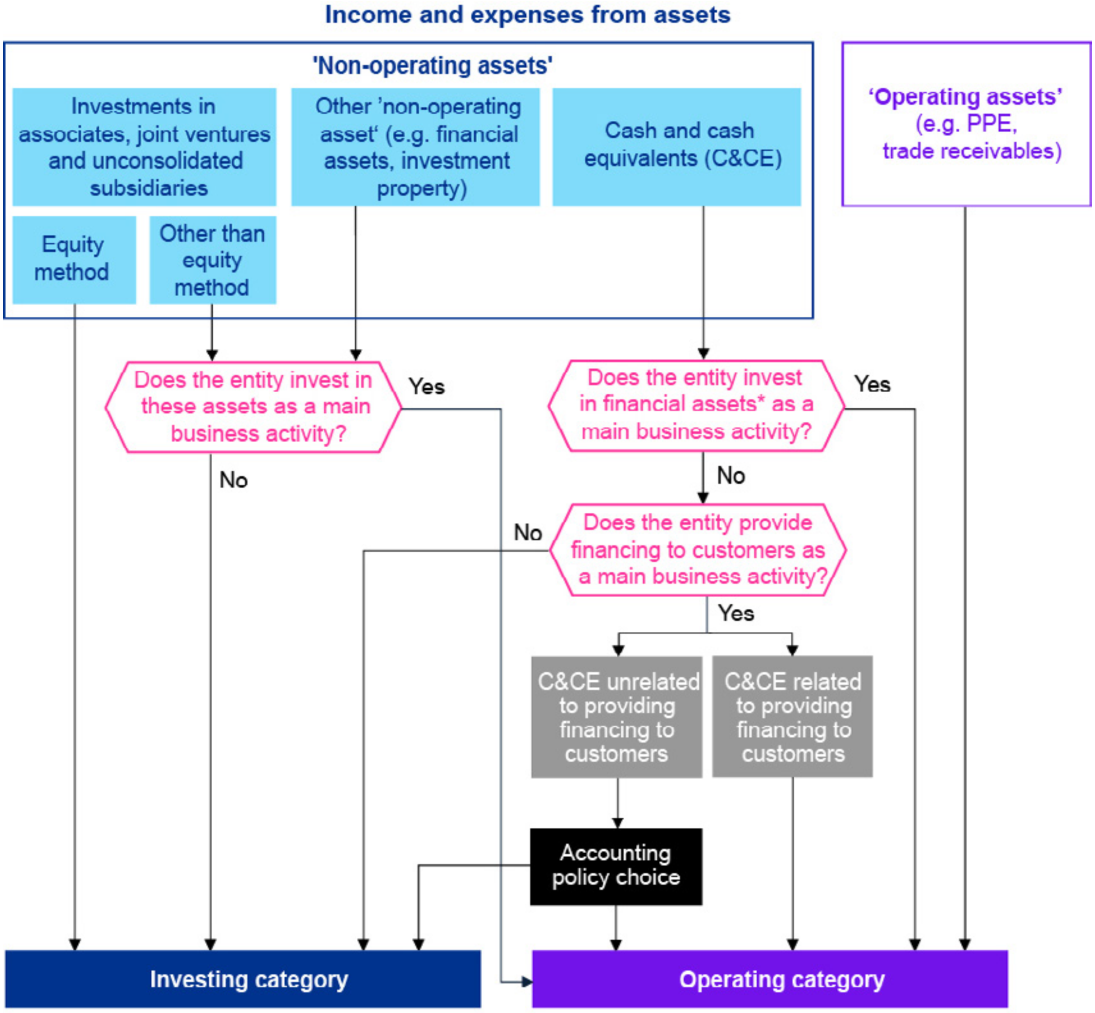
For entity without SMBA, investing category includes the income and expenses from:
- investments in associates, joint ventures and unconsolidated subsidiaries;
- cash and cash equivalents; and
- other assets if they generate a return individually and largely independently of the entity’s other resources, e.g. investment property, debt and equity investments.

This publication uses the term “non-operating assets” for the assets described as above, whilst PSAK 118 refers to “assets that do not generate a return individually and largely independently of the entity’s other resources”.

PSAK 118.54, PP47

Income and expenses from non-operating assets presented as part of the investing category includes the following:
- the income generated by the assets;
- the income and expenses that arise from the initial and subsequent measurement of the assets, including on derecognition of the assets; and
- the incremental expenses directly attributable to the acquisition and disposal of the assets, e.g. transaction costs and costs to sell the assets.

The following diagram summarizes the classification of income and expenses from each type of assets, including when an entity invests in those assets as a main business activity.



* Other than investments in associates, joint ventures or unconsolidated subsidiaries and cash and cash equivalents.

PSAK 118.56(b), 57

PSAK 118 allows for accounting policy choice for entities with SMBA of providing financing to customers, such that these entities may opt to classify income and expenses from all cash and cash equivalents in the operating category, in case if these entities cannot distinguish whether the cash and cash equivalents giving rise to income or expenses are related or unrelated to providing financing to customers.

Financing category

PSAK 118.59, PP50-PP51, PP53

Financing category consists of the income and expenses from the following liabilities:

- Liabilities that arise from transactions that involve only the raising of finance (hereinafter referred to as “financing liabilities”); and
- Liabilities that arise from transactions that do not involve only the raising of finance (hereinafter referred to as “other liabilities”).

PSAK 118.60, PP52

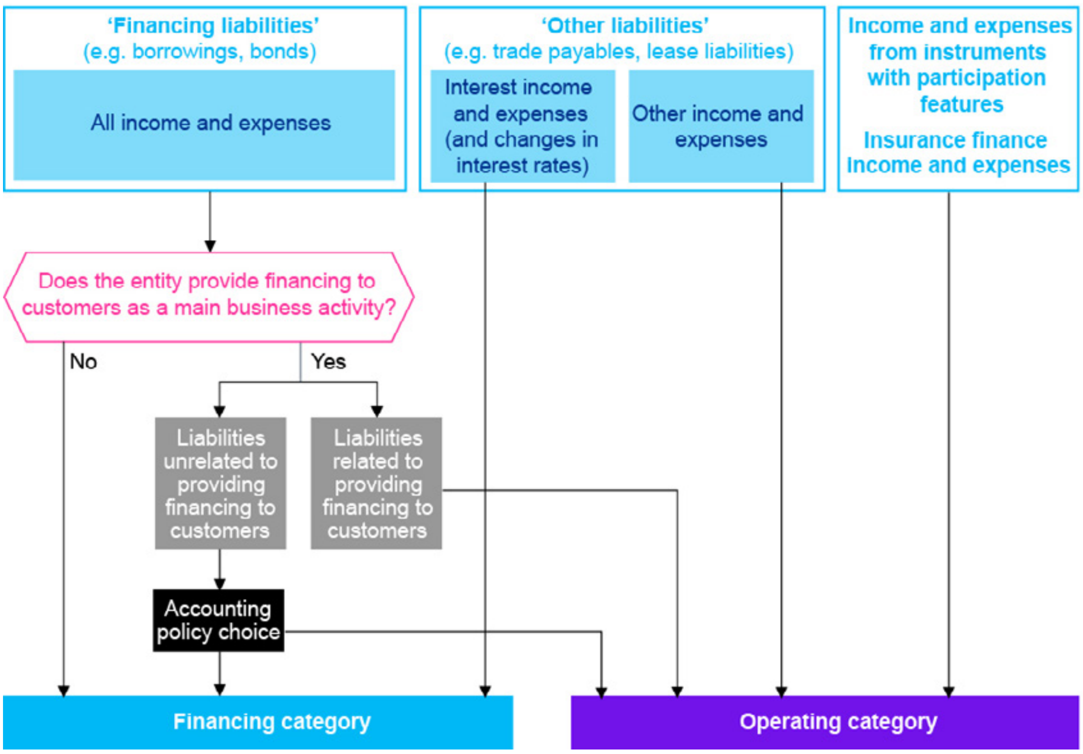
Income and expenses from financing liabilities include the following:
- income and expenses that arise from the initial and subsequent measurement of the liabilities, including on derecognition of the liabilities, e.g. interest expenses on loans; and
- the incremental expenses directly attributable to the issue and extinguishment of the liabilities, e.g. transaction costs.

PSAK 118.61, PP54

On the other hand, income and expenses from other liabilities include the following:
- interest income and expenses for the purpose of applying other requirements in SAK Indonesia, e.g. interest expenses on lease liability as required by PSAK 116 *Leases*; and
- income and expenses arising from changes in interest rates as required by SAK Indonesia, e.g. the effect of any change in the discount rate on provisions as required by PSAK 237: *Provisions, Contingent Liabilities and Contingent Assets*.

The following diagram summarizes the classification of income and expenses from each type of liabilities, including when an entity provides financing as a main business activity.

Income and expenses from liabilities



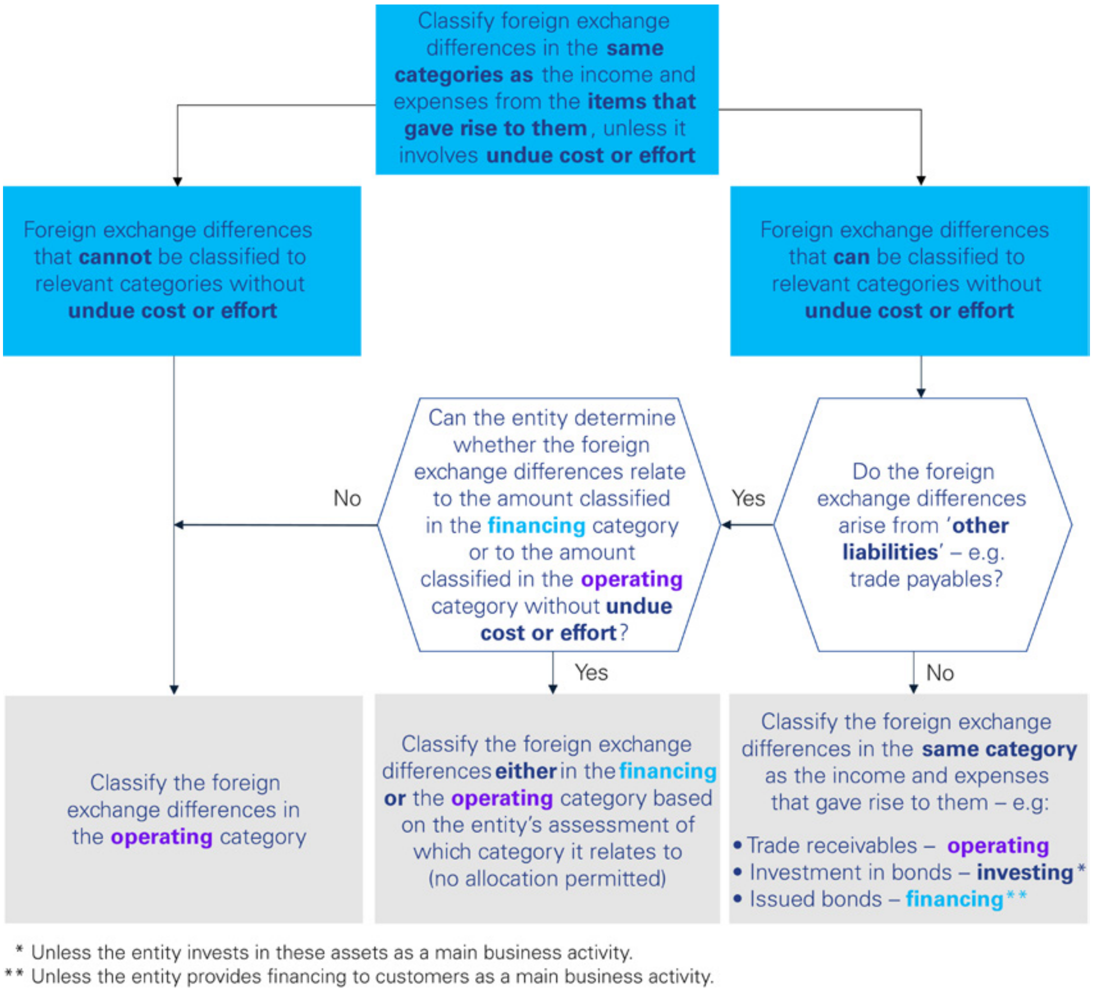
Other requirements for certain income and expenses

PSAK 118 also sets out requirements on how to classify foreign exchange differences, gains and losses on derivatives and designated hedging instruments, and income and expenses arising from hybrid contracts.

Foreign exchange differences

PSAK 118.PP65, PP68 An entity shall classify foreign exchange differences in the same category as the income and expenses from the items that gave rise to the foreign exchange differences, unless doing so would involve undue cost or effort, and in that case the entity classifies foreign exchange differences in the operating category.

PSAK 118.PP65-PP68 The following diagram illustrates the steps in determining classification of foreign exchange differences.



See section 5.7 for discussions on practical challenges that may arise from classification of foreign exchange differences.

Gains and losses from derivatives and hedging instruments

PSAK 118. PP70-PP76 For gains and losses on derivatives and hedging instruments, the classification is determined based on whether the derivatives are used to manage identified risks, and whether they are designated as hedging instruments under PSAK 109: *Financial Instruments*.

The following table summarizes requirements for classification of gains and losses on derivatives and hedging instruments.

	Purpose and hedging designation		Requirement
PSAK 118.PP70, PP74-PP75	**Used for managing identified risks**	**Designated as a hedging instrument**	Classify in the same category as income and expenses affected by the hedged risk(s). However, if this involves grossing up gains and losses, then classify in the operating category. Grossing up of gains and losses might occur when a hedging instrument hedges a group of items with offsetting risk positions and the hedged items are classified in multiple categories of the income statement – e.g. a single derivative to manage foreign currency risk on revenue (classified in the operating category) and interest expenses (classified in the financing category).
PSAK 118.PP72		**Not designated as a hedging instrument**	Follow the same classification requirements for derivatives designated as a hedging instrument unless doing so involves undue cost or effort (in which case classify in the operating category).
PSAK 118.PP73	**Not used for managing identified risks**		Classify in the financing category if the derivative relates to a transaction that involves only the raising of finance (e.g. a purchased option that allows an entity to receive a fixed amount of a foreign currency for delivering a fixed number of the entity's own equity instruments). Classify in the operating category if: • the derivative does not relate to such a financing transaction; or • for an entity that provides financing to customers as a main business activity, the derivative relates to providing financing to customers or the entity has made an accounting policy choice to classify income and expenses from "financing liabilities" in the operating category.

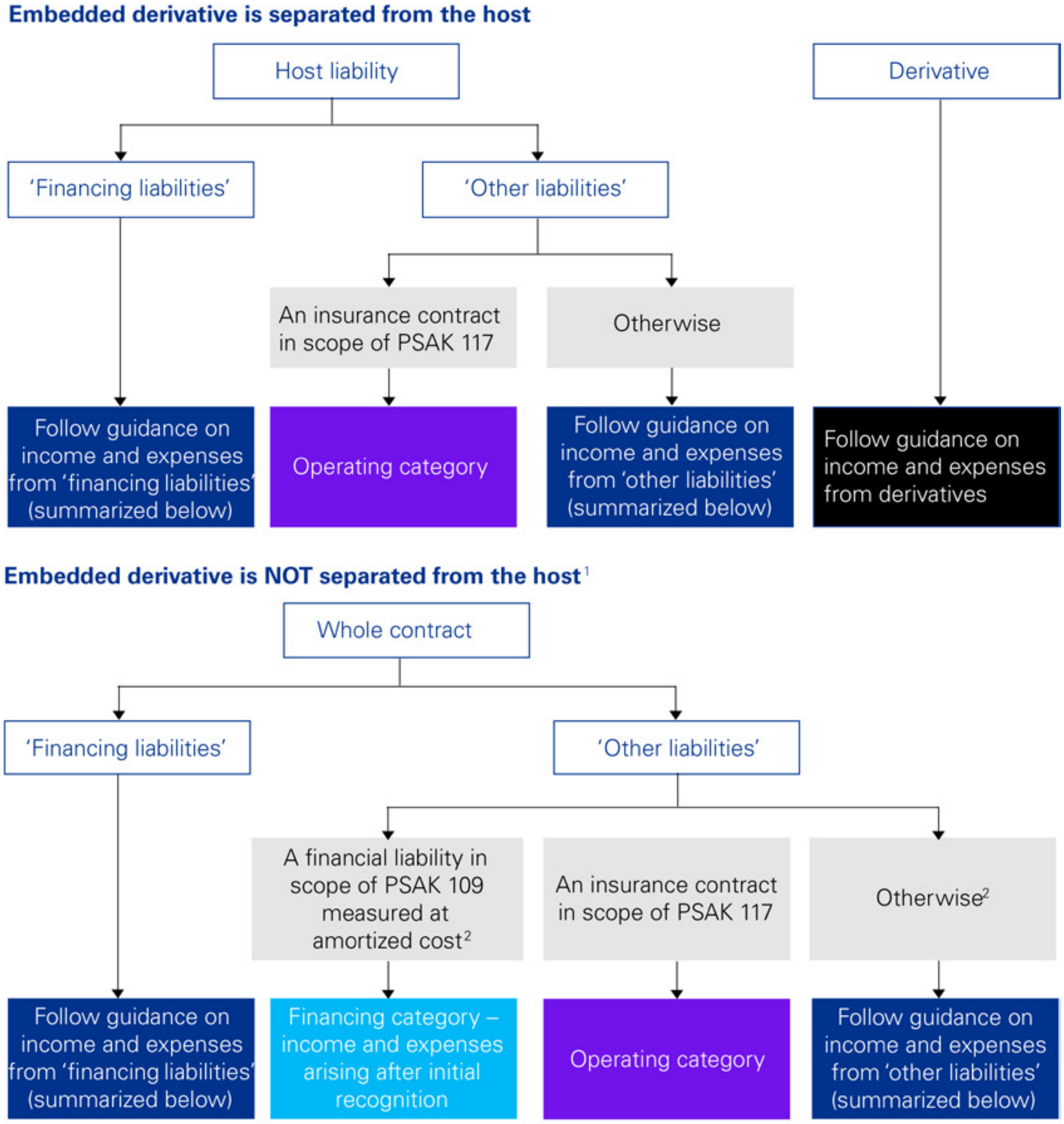
Classification of income and expenses from hybrid contracts

PSAK 118.62, PP56-PP57, PP59

PSAK 118 includes specific requirements on classifying income and expenses arising from hybrid contracts—a contract comprising an embedded derivative and a non-derivative host contract. The classification depends on whether the embedded derivative should be separated from the liability host contract; in that case, income and expenses arising from the host liability follows the requirements of liabilities, while the embedded derivative follows the requirements for standalone derivatives. If embedded derivative is not separated from the host liability, income and expenses from the whole contract are classified applying the requirements for liabilities, except when the hybrid contract does not arise from transaction that involves only the raising of finance, and i) it is measured at amortized cost under PSAK 109 (in this case whole contract is classified in financing category), or ii) the hybrid contract is an insurance contract in scope of PSAK 117: *Insurance Contracts* (in this case the whole contract is classified in operating category).

The following diagrams summarize the requirements for hybrid contracts:

Income and expenses from hybrid contracts



Notes:

[1] Under PSAK 118.PP57, this applies regardless of the reason why the entity does not separate the embedded derivative under PSAK 109.

[2] Income and expenses from a financial liability in scope of PSAK 109 that is measured at FVTPL in its entirety are generally classified in the operating category.

Summary of guidance on income and expenses from liabilities

<table>
<tr><th colspan="2" rowspan="2"></th><th colspan="2">Providing financing to customers is</th></tr>
<tr><th>Not a main business activity</th><th>A main business activity</th></tr>
<tr><td rowspan="2">Income and expenses from 'financing liabilities'</td><td>Relating to providing financing to customers</td><td rowspan="2">Financing category</td><td>Operating category</td></tr>
<tr><td>Not relating to providing financing to customers</td><td>Operating or financing category depending on accounting policy choice</td></tr>
<tr><td rowspan="2">Income and expenses from 'other liabilities'</td><td>Interest income and expenses and effect of changes in interest rates</td><td colspan="2">Financing category</td></tr>
<tr><td>Other income and expenses</td><td colspan="2">Operating category</td></tr>
</table>

2.2 Totals and subtotals

PSAK 118.69(a), 69(b), 71

PSAK 118 introduces two mandatory and defined subtotals to be presented in the income statement:
- operating profit or loss, comprise all income and expenses classified in the operating category.
- profit or loss before financing and income taxes, comprise operating profit or loss and all income and expenses classified in the investing category.

PSAK 118.73-74

Entity with SMBA of providing financing to customers and which elects to classify income and expenses from liabilities that do not relate to provide financing to customers in the operating category shall not present the subtotal of "profit or loss before financing and income taxes". Such entity is not prevented from presenting additional subtotal (e.g. "operating profit or loss and income and expenses from investments accounted for using the equity method"), but shall label the subtotal in a way that faithfully represents the amounts included in the subtotal.

PSAK 118.118, PP123

In addition to the mandatory totals and subtotals, PSAK 118 allows the use of other totals and subtotals if such presentations are necessary to provide a useful structured summary. Example of commonly used subtotals:
- gross profit or loss (revenue minus cost of sales) and similar subtotals, for example:
  - net interest income;
  - net fee and commission income;
  - insurance service result;
  - net financial result (investment income minus insurance finance income and expenses);
  - net rental income;
- operating profit or loss before depreciation, amortization and impairments within the scope of PSAK 236: *Impairment of Assets* (OPDAI);
- operating profit or loss and income and expenses from all investments accounted for using the equity method;
- a subtotal comprising operating profit or loss and all income and expenses classified in the investing category for entity that does not present the subtotal of "profit or loss before financing and income taxes";
- profit or loss before income taxes; and
- profit or loss from continuing operations.

PSAK 118.118

Subtotals as above are not management-defined performance measures (MPMs) under PSAK 118, hence they are not subject to disclosure requirements of MPMs.

The following table summarizes how presentation of common subtotals as above may be compatible with the method applied in presenting expenses (see section 2.3) in the income statement.

Common income and expenses subtotals listed in PSAK 118	Can it be presented on the face of the income statement?
Gross profit or loss	Only if by-function or mixed presentation method is used
Operating profit or loss before depreciation, amortisation and impairments in the scope of PSAK 236 (OPDAI)	Only if by-nature or mixed presentation method is used
Profit or loss before income taxes	Yes, under any method
Profit or loss from continuing operations	Yes, under any method

2.3 Presentation and disclosure of expenses

PSAK 118.78

PSAK 118 requires an entity to present operating expenses classified in the operating category based on the nature or function, depending on which approach provides the most useful structured summary of the entity's expenses. An entity may also use a mixed presentation approach if it will provide useful information in the income statement. For example, a manufacturing company with material impairment loss of its fixed assets may present the impairment expense separately in the income statement, even if it classifies expenses by function.

PSAK 118.PP80

An entity shall consider the factors below when determining which approach provides the most useful structure summary of the entity's expenses:

Factors	Examples
Main components or drivers of the entity's profitability	Presenting expenses by nature, such as employee benefits expenses, may provide more relevant information for a service entity. On the other hand, presenting expenses by function may be more relevant for a retail entity since it shows the cost of sales and the gross margin.
The way that the business is managed and how management reports internally	Presenting expenses by function may provide more useful information for a manufacturing entity with several major functions, while by nature presentation may be useful for entity with single predominant function, such as providing financing to customers.
Industry practice	Using similar methods among entities within the same industry may increase comparability.
Allocation of expenses to functions	If the allocation of particular expenses to functions would be arbitrary to the extent that the line items presented would not provide a faithful representation of the functions, then these expenses are classified by nature.

PSAK 118.83, PP84

Entities presenting expenses by function are required to disclose the following information in a single note:

- total amount for five main expenses that are required to be disclosed under the applicable PSAKs[1], as below:
  1. depreciation (PSAK 216.73(e)(vii), PSAK 240.79(d)(iv), PSAK 116.53(a));
  2. amortization (PSAK 238.118(e)(vi));
  3. employee benefits (PSAK 219 and PSAK 102);
  4. impairment losses and reversals of impairment losses (PSAK 236.126(a) and 126(b)); and
  5. write-downs and reversals of write-downs of inventories (PSAK 202.36(e) and 36(f)).
- for each total amount listed in point 1-5 above:
  1. the amount related to each line item in the operating category, including the amount that have been capitalized to assets during the reporting period. The entity shall give a qualitative explanation of that fact, identifying the assets involved. This requirement also applies to entity which elect to present expenses by nature.
  2. a list of any line items outside the operating category that also include amounts relating to the total. For example, depreciation of investment property classified in the investing activity, since the asset is not invested as a main business activity.

The following is an example of disclosure for expenses presented by function, in particular for depreciation.

Operating expenses by nature[(a)]	Depreciation	Amortization	Employee benefits	Impairment losses/ reversals	Inventory write-downs/ reversals
Total amount recognized in the period (expensed and capitalized)	72[(b)]				
Total amount related to:					
Cost of goods sold	50				
Administrative expenses	3				
Research and development expenses	15				
Total amount related to operating category	68[(b)]				

[(a)] The amounts disclosed in this note are those expensed during the period, except for depreciation, which includes amounts capitalized to inventory.

[(b)] The difference between these totals relates to depreciation of investment property (not invested in as a main business activity) included in [line item X] in the investing category.

[1]PSAK 216: *Property, Plant and Equipment*; PSAK 240: *Investment Property*; PSAK 116: *Leases*; PSAK 238: *Intangible Assets*; PSAK 219: *Employee Benefits*; PSAK 102: *Share-based Payment*; and PSAK 202: *Inventories*

PSAK 118.84-85

In addition, an entity that presents the expenses by function is not required to provide disaggregated information about expenses other than the five main expenses. However, it does not exempt an entity from applying specific disclosure requirements relating to those expenses in SAK Indonesia.

Table below sets out the difference between PSAK 201 and PSAK 118 regarding the requirements to analyze operating expenses.

	PSAK 201	PSAK 118
Location of analysis of operating expenses	Choice between the face of the income statement and notes to the financial statements	Required on the face of the income statement
Mixed analysis of operating expenses by function and nature on the face of the income statement	Not explicitly prohibited, as long as by-nature information is included in the financial statements – i.e. either on the face of the income statement or in the notes	Explicitly allowed. If any operating expenses are presented by function, then separate presentation of a 'cost of sales' line item is required (if an entity has a cost of sales function)
Basis for determining the appropriate method for classifying operating expenses	Whichever provides information that is reliable and more relevant to users of the financial statements	Whichever provides the most useful structured summary
Disclosures required in the notes for entities using the by-function or mixed method on the face of the income statement	Additional information on the nature of expenses, including depreciation, amortization and employee benefits	Disclose in a single note specific qualitative and quantitative information for each of the five specific nature expenses

3 Management-defined performance measures (MPMs)

For many years, entities use adjusted or alternative performance metrics—commonly referred to as non-GAAP measures—in external communications to provide management's view of their operating performance. EBITDA is one of the most commonly used non-GAAP measures. However, these measures were often not clearly defined, inconsistently applied, and unaudited, creating challenges for comparability and transparency. PSAK 118 addresses these issues by bringing MPMs into the general purpose financial statements through new disclosure requirements (which includes a reconciliation to the nearest comparable GAAP measures).

It is important to understand that MPMs may not cover all non-GAAP measures. Only non-GAAP measures that are subtotals of income and expenses and that meet the definition of MPM (see section 3.1) are within the scope of PSAK 118, and thus are subject to new disclosure requirements. Free cash flows, return on equity, and number of customers are some examples of non-GAAP measures that are not considered as MPMs.

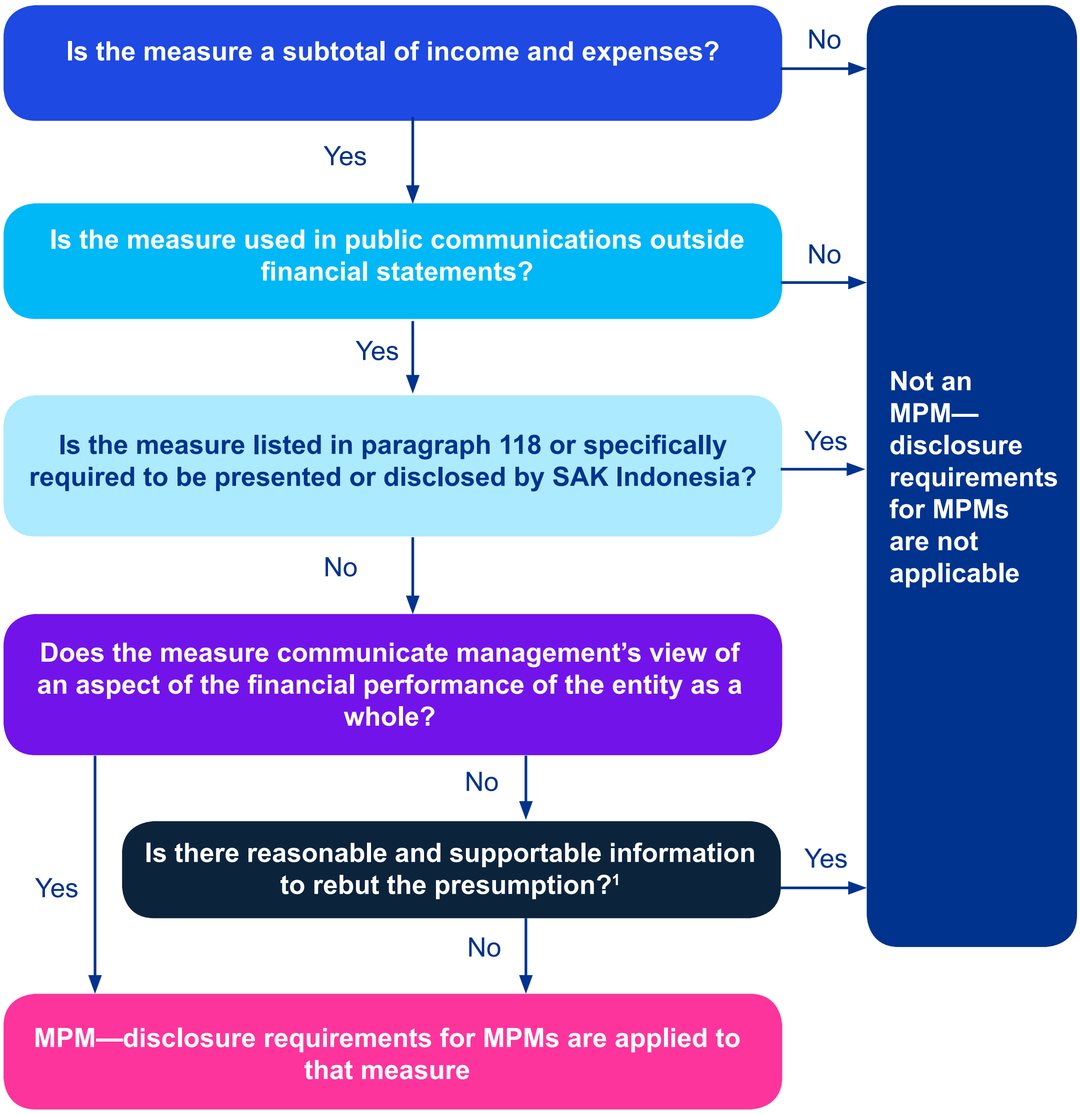
3.1 Definition of MPMs

PSAK 118.117, PP113-PP115, PP119

MPM is defined as a subtotal of income and expenses—other than those specified in PSAK 118.118 (see section 2.2), or those specifically required to be presented or disclosed by SAK Indonesia—that an entity uses:
- in public communications outside financial statements, such as management commentary, press releases and investor presentation[2]; and
- to communicate to users of financial statements management's view of an aspect of the financial performance of the entity as a whole.

[2]Oral communications, written transcripts of oral communications and social media posts are not public communication under PSAK 118.

The following diagram summarizes how to identify the MPMs.



[1]It is presumed that a subtotal of income and expenses used in public communications communicates management's view (paragraph 119); an entity is not required to consider whether to rebut the presumption.

PSAK 118.PP120

MPMs relate to the same reporting period as the financial statements. A subtotal relating to interim financial statements but not to the annual financial statements can only be a MPM in the interim financial statements, and vice versa.

3.2 New disclosure requirements

PSAK 118.122, PP132

An entity shall disclose information about the MPMs in a single note. Such disclosure includes the statement that the MPMs reflect management's view on a particular aspect of the entity's overall financial performance and thus may not be directly comparable to similarly named or described measures used by the other entities.

PSAK 118.24, 43

However, PSAK 118 does not prohibit the entity to present the MPMs on the face of income statement as the additional subtotal, if the subtotals of income or expenses:
- comprise amounts recognized and measured in accordance with SAK Indonesia;
- compatible with the structure of the income statement to provide a useful structured summary;
- displayed no more prominently than the totals and subtotals required by SAK Indonesia and;
- labelled in a way that is not misleading.

PSAK 118.123, PP134-PP142

Each MPM shall be labelled and described in a clear and understandable manner that does not mislead users of financial statements. The disclosure of each MPM includes:
- a description of the aspect of financial performance that is communicated by the MPM, including the explanations of why management perceives that the MPM provides useful information about the entity's financial performance.
- a description of how the MPM is calculated.
- a reconciliation between the MPM and the most directly comparable subtotal listed in PSAK 118.118 (see section 2.2) or total or subtotal specifically required to be presented or disclosed by SAK Indonesia, including the effect to income tax and non-controlling interest for each reconciling item.
- a description of how the entity determines the income tax effect, based on the method selected according to PSAK 118.PP141.

The following is an example of reconciliation between the MPM (adjusted operating profit) and the most directly comparable subtotal (operating profit).

	20X7	Tax effect	Effect on NCI
Adjusted operating profit (MPM)	X		
Restructuring costs (included in employee benefit expenses)[a]	(X)	X[b]	(X)
Operating profit (required subtotal)	X		

[a] The restructuring expenses in 20X7 are related to the Group's restructuring program. These expenses include employee retraining expenses and relocation expenses, which are all related to the closure of several factories in [*Country S*].

[b] The tax effect of restructuring costs in [*Country S*] is calculated based on the statutory tax rate applicable in [*Country S*] at the end of 20X7, which was X percent.

PSAK 118. PP141-PP142

Entities may encounter practical challenges to determine the tax rate used in calculating income tax effect for the purpose of providing MPM reconciliation disclosure, especially when an entity has multiple foreign operations subject to differing statutory tax rates. An entity shall refer to the guidance in PSAK 118.PP141 in determining the tax effect, i.e. by calculating the income tax effects of the underlying transaction(s):

- at the statutory tax rate(s) applicable to the transaction(s) in the tax jurisdiction(s) concerned;
- based on a reasonable pro rata allocation of the current and deferred tax of the entity in the tax jurisdiction(s) concerned; or
- by using another method that achieves a more appropriate allocation in the circumstances.

PSAK 118.124, PP122

For any change of the MPM, an entity also discloses the following information:

- an explanation that enables users of financial statements to understand the change, addition or cessation and its effects.
- the reasons for the change, addition or cessation.
- restated comparative information to reflect the change, addition or cessation unless it is impracticable to do so, as required in paragraphs 50–53 of PSAK 208: *Basis of Preparation of Financial Statements*[3], even though the selection of MPM is not an accounting policy choice.

[3]Previously under the title of PSAK 208 *Accounting Policies, Changes in Accounting Estimates and Errors.*

4 Grouping of information

PSAK 118.09, 15, 41

Financial statements shall be structured in a way that provide useful information to users about the entity's financial performance and position. To achieve this, PSAK 118 introduces the concept of grouping of information, i.e. aggregation and disaggregation. The grouping of information prevents unnecessary detail and excessive summarization of the information presented or disclosed in the financial statements that may obscure material information.

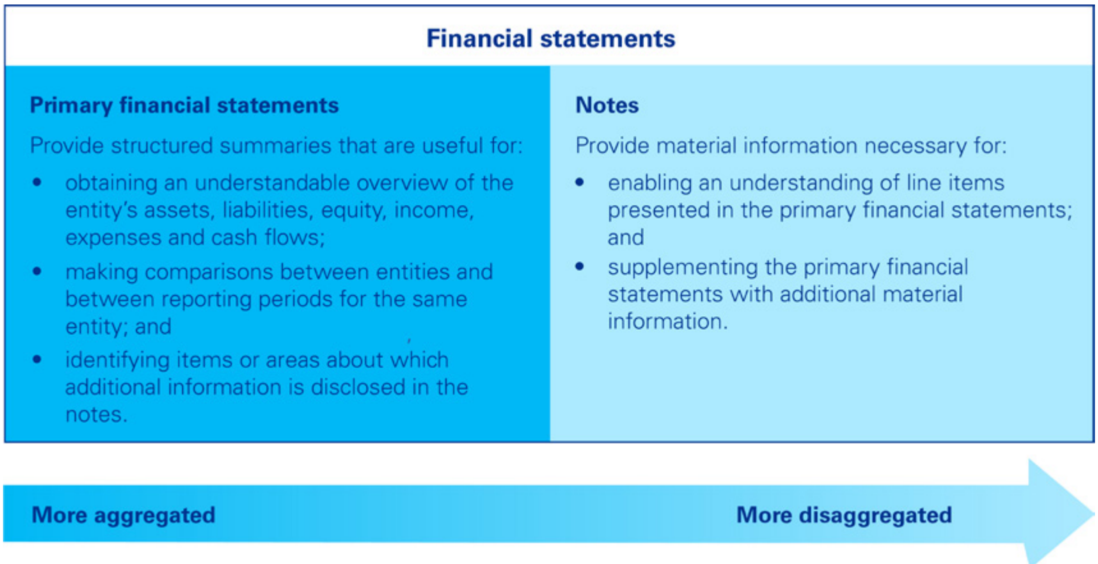
4.1 Roles of primary financial statements and notes

PSAK 118.15, 19

An entity presents information in the primary financial statements and discloses information in the notes. Similar with PSAK 201, an entity needs only presents or discloses material information. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

PSAK 118.16-17

When determining where to present or disclose the material information, an entity shall consider the complementary roles of primary financial statements and its notes.



PSAK 118.18

Based on the roles described above, it is expected that the primary financial statements will provide more aggregated information, while the notes will provide more disaggregated information.

4.2 Aggregation and disaggregation

PSAK 118.78

The principle of aggregation and disaggregation is to help an entity provides detailed information without obscuring the material information through too much detail. To apply the principle of aggregation and disaggregation, an entity can follow the steps as below.

1. **Identify**
   Identify assets, liabilities, equity, income, expenses or cash flows arising from individual transactions or events
2. **Aggregate**
   Aggregate assets, liabilities, equity, income, expenses or cash flows into items based on similar characteristics
3. **Disaggregate**
   Disaggregate items based on dissimilar characteristics

PSAK 118.PP19, PP78

Judgment is required when determining whether items have similar or dissimilar characteristics. Factors that can be considered, among others:

- nature;
- function;
- measurement basis;
- size;
- geographical location or regulatory environment.

PSAK 118.41, PP20

The aggregation and disaggregation principle apply both to the primary financial statements and the notes. The more similar the characteristics of items are, the more likely it is that aggregating those items will fulfil the role of the primary financial statements or the notes. Conversely, the more dissimilar the characteristics of items are, the more likely it is that disaggregating the items will fulfil the roles of the primary financial statements or the notes. In applying the aggregation and disaggregation principle, an entity shall ensure that such grouping does not obscure material information.

PSAK 118.42, PP21, PP22

An item shall be disaggregated whenever the resulting information is material. PSAK 118.PP79 and PP111 provides examples of items that might have sufficiently dissimilar characteristics that presentation in the income statement is necessary to provide a useful structured summary or disclosure in the notes is necessary to provide material information.

4.3 Label and description of items

PSAK 118.43

Aggregated or disaggregated items that are presented in the primary financial statements or disclosed in the notes shall be:

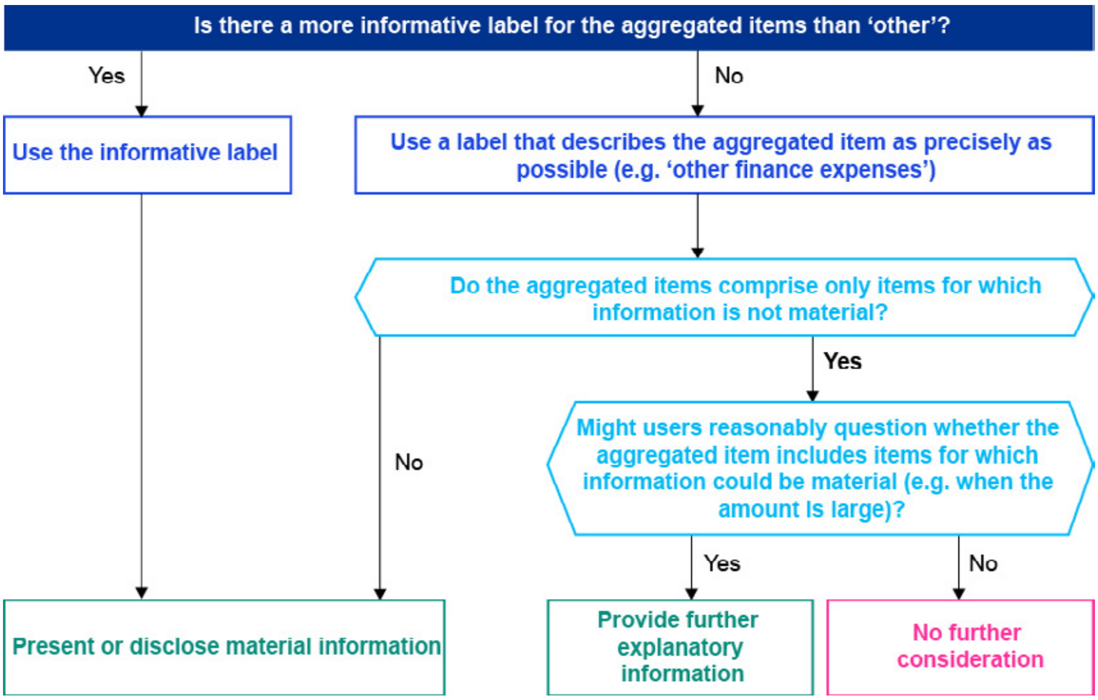
- labeled or described in a way that faithfully represents the characteristics of the item.
- provide users with the necessary descriptions and explanations to understand those items.

PSAK 118.PP24-PP26

An entity is encouraged to use more informative label than“other”. If there is no more informative label than “other”, then an entity shall:

- **for any aggregation**, use a label that describes the aggregated item as precisely as possible (e.g. “other operating expenses” or “other finance expenses”) and provides disaggregated information in the notes, if its material.
- **for an aggregation comprising only items for which information is not material**, consider whether the aggregated amount is sufficiently large that users of financial statements might reasonably question whether it includes items for which information could be material. If so, such information is material information and the entity discloses further information, for example, to explain:
  – that the aggregated item includes only items for which information is not material; or
  – the nature and amount of the largest item within the aggregated item.

The following diagram summarizes the requirements above when determining informative labels and information for aggregated items.



5 Application challenges

5.1 Determining main business activity of a group

PSAK 118.PP37

When a group consists of several subsidiaries with different main business activities, determining the main business activity at the group level requires judgment that considers the group's facts and circumstances as a whole. A group determines whether either of, or both, investing in assets and providing financing to customers are its main business activities. Accordingly, the assessment at the group level and at the parent or subsidiary level could have resulted in different outcomes.

Assessment of specified main business activities (SMBA)

PSAK 118.PP34

PSAK 118 provides the indicator whether investing in assets and/or providing financing to customers is likely to be its main business activity, i.e. when the entity uses a particular type of subtotal, similar to gross profit, as an important indicator of operating performance, that includes income and expenses that would be classified in the investing or financing categories if investing in assets or providing financing to customers were not its main business activities.

PSAK 118.PP35

Evidence that such subtotal is important indicators of operating performance is, among others, when it is used to:
- explain operating performance externally; or
- assess or monitor operating performance internally.

PSAK 118.PP36

If an entity apply PSAK 108: *Operating Segments*, information about segments may also provide evidence of whether its main business activity is to invest in assets or to provide financing to customers. Specifically:
- if a reportable segment comprises a single business activity, this indicates that the performance of the reportable segment is an important indicator of the entity's operating performance and that the business activity of the reportable segment is a main business activity of the entity; and
- if an operating segment comprises a single business activity, this indicates that the business activity might be a main business activity of the entity if the performance of the operating segment is an important indicator of the entity's operating performance.

PSAK 118.51(a), 51(b)

When a group/an entity determine that investing in assets and/or providing financing to customers is its main business activity, it shall disclose that fact.

The following are examples of scenarios for determining main business activity of an entity within a group.

<u>Scenario 1 – Different conclusions for the subsidiary and the group – Single main business activity</u>

The group comprises Parent P (a car manufacturer) and its subsidiaries. All subsidiaries are also in the business of car manufacturing or related activities (such as car dealers), except for one subsidiary S, which provides financing to car buyers.

In S's own financial statements, it reports a single reportable segment that comprises solely the business activity of providing financing to car buyers.

In the group's consolidated financial statements, the business activity of providing financing to car buyers does not form an operating segment on its own. The group does not use a subtotal similar to gross profit that includes income and expenses from this business activity to communicate the group's operating performance internally or externally.

Assessment of specified main business activities

In its own financial statements, S concludes that providing financing to car buyers is a specified main business activity. This is because its reportable segment comprises a single business activity of providing financing to customer.

In the consolidated financial statements, the group concludes that providing financing to car buyers is not a specified main business activity. This is because the group does not use a subtotal similar to gross profit that includes the result from providing financing to car buyers as an important indicator of the group's operating performance. As such, consolidation adjustments will be required when preparing the consolidated income statement (and the consolidated statement of cash flows – see Section 6.1) – e.g. interest income in S is reclassified from the operating category in S's own income statement to the investing category in the group's consolidated income statement.

Scenario 2 – Different conclusions for the parent and the group - Multiple main business activities

The group comprises Parent P (as the holding company) and its subsidiaries (together as "the Group"). The Group is a conglomerate carrying out businesses in various industries. The subsidiaries' businesses vary across industries, including in automotive, financial services, and real estate businesses.

In its separate financial statements, P as the holding company reports a single reportable segment that comprises solely the business activity of investing in subsidiaries.

The business activities of automotive, financial services, and real estate components are disclosed as separate reportable segments in the group's consolidated financial statements.

Assessment of specified main business activities

Automotive segment consists of the business activities of car manufacturers and car dealers, which are not specified main business activities under PSAK 118.

Segments of financial services and real estate consist of single business activity of consumer financing and investment property, respectively. The Group uses net interest income and net rental income, respectively, to communicate its operating profit in its public communication. The Group concludes that providing financing to customers and investing in assets are the specified main business activities.

In its separate financial statements, P's assessment of whether it provides financing to customers or investing in assets as a main business activity is irrelevant because it does not undertake such business activities. Instead, P concludes that it only has a specified main business activity of investing in assets (i.e. investing in its subsidiaries).

5.2 Investing in associates or joint ventures

PSAK 118.55(a), PP38

To determine the classification of income and expenses for a group as described in section 5.1, the group shall determine the main business activities at the group level, which includes analysis of main business activities of each entity or segment within the group. However, the analysis will be different for activities involving investment in associates or joint ventures. Entities need only to assess whether they invest in these assets as a main business activity if the investments are not equity-accounted. This is because PSAK 118 requires that income and expenses from investment in associates or joint ventures accounted for under equity method to be classified in investing category, regardless of whether the investment activity is an entity's main business or not. One of the arguments behind such view is that classifying those income and expenses in the operating category would disrupt users' analyses of operating margins. It is also intended to better align with the way users of financial statements use information to analyze the investments in associates or joint ventures.

PSAK 118.C07

Upon initial application of PSAK 118, eligible entities (e.g. venture capital organization, mutual fund, unit trust, and similar entities including investment-linked insurance funds)—see paragraph 18 of PSAK 228: *Investments in Associates and Joint Ventures*—are allowed to change their accounting policy for measuring investments in associates and joint ventures, from the equity method to fair value through profit or loss (see section 7). If an entity elects to do so and if investing in associates or joint ventures is its main business activity, income and expenses from this activity shall be classified in operating category.

5.3 Foreign exchange differences

PSAK 118.PP65, PP66

Foreign exchange differences are classified in the same category as the income and expenses from the items that gave rise to them. For example, an entity classifies foreign exchange differences in:
- operating category, for a receivable denominated in a foreign currency.
- financing category, for a loan denominated in a foreign currency, if the entity does not provide financing to customers as its main business activity.

PSAK 118.PP65, PP68

An entity shall classify the foreign exchange differences in the operating category, if classifying foreign exchange differences based on classification of items giving rise to them would involve undue cost or effort.

Questions may arise for classification of foreign exchange differences arising from intercompany balances, for example in cases where intercompany balances and the related income or expenses are eliminated, but the foreign exchange differences remain uneliminated. PSAK 118 does not provide specific guidance on this matter, and consequently an entity shall use its judgment to classify the foreign exchange differences in its consolidated financial statements.

5.4 Presentation and disclosure requirement for Indonesian listed or public entities under Indonesian Financial Services Authority (OJK) oversight

Listed or public entities under the oversight of OJK are required to comply with OJK Regulations, for example Regulation No. VIII.G.7 (POJK) which specifies presentation and disclosure requirements for these entities. PSAK 118 introduces several changes to the presentation and disclosure of the financial statements (mainly for classification of income and expenses, subtotals, and MPM), while currently effective POJK has not been updated to align with changes introduced by PSAK 118.

The POJK includes a requirement on how listed and public companies deal with requirements of a new PSAK vis-à-vis those prescribed in the POJK. In that case, listed and public entities shall follow the requirement under the new PSAK, unless otherwise prescribed by the POJK.

As it relates to new requirements in PSAK 118, currently effective POJK does not specify requirements for—among others—presentation of operating profit subtotal (and hence the classification of income and expenses into operating, investing, and financing category) or disclosures for MPM in the notes. In these regards, listed and public entities applying the new requirements of PSAK 118 would arguably still be in compliance with the POJK, solely because existing POJK does not regulate such matters.

The POJK, however, specifies certain “minimum line items” (or “main components” as per POJK terminology)—primarily for the statement of financial position—and require disclosures if the balance exceeds a prescribed quantitative threshold. Although there appears to be limited number of “minimum line items” for the income statement prescribed by existing POJK—while on the other hand main changes brought about by PSAK 118 are on the income statement, with very limited changes to the statement of financial position—had the POJK not been timely updated to align with new requirements of PSAK 118, these would pose challenges to listed and public companies asserting their compliance with SAK Indonesia and simultaneously with the POJK.

Clarity over when and how the POJK will be updated is one of the key drivers for consistent application of PSAK 118 requirements by listed and public companies in Indonesia.

In addition, Indonesian listed companies are required to submit their financial statements to Indonesia Stock Exchange (IDX) in a XBRL format. If IDX’s XBRL taxonomy—that in its current format is based on those prescribed in the POJK—is not timely updated to align with the presentation requirements in PSAK 118, when the standard applies, listed companies will need to have additional internal processes and systems to accommodate differing reporting formats and requirements. For example, an entity may need to create or modify its chart of accounts (COAs) and map the COAs in such a way to provide financial statements based on differing reporting formats.

5.5 OPDAI and EBITDA

PSAK 118.24, 78-79, 118, PP80-82

EBITDA (earnings before interest, tax, depreciation and amortization), one of the commonly used subtotals in financial reporting, is not defined in PSAK 118. Instead, PSAK 118 introduces a subtotal which resembles EBITDA, i.e. operating profit or loss before depreciation, amortization and impairments (OPDAI). However, EBITDA may not be equal to OPDAI, because entities may exclude certain elements of depreciation, amortization and impairment in arriving into their EBITDAs. In certain cases, both may be used interchangeably, for example when an entity has no income and expenses in the investing category and no interest income in the operating category, such that all its earnings are included in operating profit. If EBITDA is used in an entity public communication and is calculated differently from OPDAI, then this measure is an MPM and subject to disclosure requirements of MPM.

5.6 Rebut the presumption that a certain subtotal is an MPM

PSAK 118.119, 120, PP124

Subtotal of income and expenses used in public communications outside the financial statements will generally represent management's view of financial performance, hence it is an MPM. However, management can rebut the presumption if there is reasonable and supportable information available which demonstrates that:

- the subtotal does not communicate management's view of an aspect of the financial performance of the entity as a whole; and
- the entity has a reason for using the subtotal in its public communications other than communicating management's view of an aspect of the financial performance of the entity as a whole.

PSAK 118.PP125

Examples of circumstances whereby a subtotal does not communicate management's view of the entity's financial performance as a whole are as follows:

- an entity communicating the subtotal without prominence, e.g. few references and analysis of the subtotal in the financial statements indicate lack of prominence;
- management not using the subtotal internally to assess or monitor the entity's financial performance.

PSAK 118.PP129

The following circumstances indicate possible reasons for a subtotal used in an entity's public communication that does not represent management view of financial performance as a whole, if that subtotal:

- is required in a public communication by law or regulation;
- communicates performance related to financial statements prepared in accordance with an accounting framework other than SAK Indonesia;
- is used in a public communication to satisfy a request from an external party; or
- is used in a public communication for the purpose of communicating information other than financial performance.

5.7 Other practical challenges

Entities may encounter a number of practical challenges in applying PSAK 118, particularly for certain aspects in which PSAK 118 does not provide specific guidance and that entities will have to exercise their judgement in determining the accounting policies applied. The following table includes observations on some of the evolving practical challenges. They are not intended to be an exhaustive list of practical challenges of applying PSAK 118. As these matters are evolving, get in touch with your regular KPMG contacts for further discussions.

Classification of income and expenses

No.	Application issues
1	Classification of income and expenses from cash and cash equivalents (C&CEs) for Group that has an SMBA of investing in financial assets. *Fact pattern:* Parent company P is a manufacturer and does not invest in financial assets or provide financing to customers as its main business activity, while Subsidiary S invests in financial assets (other than investment in associates/joint ventures/ unconsolidated subsidiaries and CC&Es) as an SMBA. In its consolidated financial statements, the Group concludes that it invests in financial assets as its main business activity (via business activities of Subsidiary S) because Subsidiary S is identified as a reportable segment under PSAK 108, and that the Group includes a net income subtotal of Subsidiary S's business activity (including the income and expenses from Subsidiary S's C&CEs) in public communication of the Group's operating profit. Such public communication, however, excludes income and expenses from Parent P's C&CEs from the Group operating profit. *Application challenges:* How should income and expenses from C&CEs be classified in the Group's consolidated income statement? Whether: • all income and expenses from C&CEs—both from Parent P and Subsidiary S—should be classified in operating category; or • only income and expenses from C&CEs of Subsidiary S are classified in operating category, while those from Parent P are classified in investing category.

No.	Application issues
2	Classification of income and expenses from investment property (IP) for Group that has an SMBA of investing in IP. *Fact pattern:* Parent company P is a manufacturer that also invests in IP, but investment in IP is not Parent P's SMBA; while Subsidiary S invests in IP as an SMBA (i.e. investing in IP is Subsidiary S's sole business activity). In its consolidated financial statements, the Group concludes that it invests in IP as its main business activity (via business activity of Subsidiary S) because Subsidiary S is identified as a reportable segment under PSAK 108, and that the Group includes a net rental income subtotal of Subsidiary S's business activity in public communication of the Group's operating profit. Such public communication, however, excludes income and expenses from Parent P's IP from the Group operating profit. *Application challenges:* How should income and expenses from IP be classified in the Group's consolidated income statement? Whether: • all income and expenses from IP—both from Parent P and Subsidiary S—should be classified in operating category; or • only income and expenses from IP of Subsidiary S are classified in operating category, while those from Parent P are classified in investing category.
3	Income and expenses from dual-purpose property (accounted for as property, plant and equipment (PP&E) under PSAK 216). *Fact pattern:* Company A owns a building primarily for its own use. Some portion of the lobby area is rented to a coffee shop and Company A earns rental; however, that part could not be sold separately (or leased out separately under finance lease (refer to PSAK 240.10)), and accordingly the entire building is accounted for as PP&E under PSAK 216. *Application challenges:* In applying the requirements of PSAK 118, what is the unit of account of the building? Whether the building is considered: • as 1 asset—a PP&E, thus both expenses from depreciation expenses from the building and rental income are classified in operating category. • as 2 assets—depreciation expenses from own-use portion are classified in operating category, while rental dan depreciation expenses for portion rented for coffee shop are classified in investing category.
4	An entity has trade receivables and trade payables denominated in foreign currencies, for which the foreign currency differences are material. Considering general aggregation requirements, if an entity either present the expenses by nature or by function, question arises on whether it is appropriate to present foreign exchange differences in the same line item as the income/expense of the underlying item they relate to.
5	Whether classification of income and expenses under PSAK 118 also applies for non-profit entity (NPE) applying ISAK 335: *Presentation of Financial Statements of Non-Profit Oriented*, such that NPE is also required to change its income statements structure following the requirements of PSAK 118.

MPM

No.	Application issues
1	An insurance company uses 'adjusted operating profit' in its public communications to explain its view of financial performance to investors. Adjusted operating profit is operating profit plus fair value gains and losses on equity instruments recognized in other comprehensive income (OCI). Questions arise on: • whether the adjusted operating profit (which includes items recognized in OCI) meet the definition of an MPM; • and if it does, whether all OCI items can be part of MPM, or only those that are recyclable to profit or loss.
2	If an entity uses non-SAK Indonesia measures as the subtotal of income and expenses, questions arise on whether they also meet the definition of MPMs. Example of non-SAK Indonesia measures: • adjusted profit to recognize revenue over time, instead of at a point in time applying the requirements of PSAK 115: *Revenue from Contracts with Customers*; • adjusted profit for unearned revenue based on confirmed sales agreements; • adjusted profit for hypothetical 'lost revenues' and/or 'normalized margins'.
3	While financial ratios do not meet the definition of an MPM, PSAK 118.PP117 states that "… a subtotal that is the numerator or denominator in a financial ratio is a management-defined performance measure if the subtotal would meet the definition of a management-defined performance measure if it were not part of a ratio. Accordingly, an entity shall apply the disclosure requirements in PSAK 118.121–125 to such a numerator or denominator". Consequently, a numerator or denominator might meet the definition of an MPM even if it is not included in a public communication on its own, as long as the ratio that it is a part of is included in a public communication. If an entity describes the numerator or denominator as numerical or narrative form, questions arise on whether conclusion would have been affected (i.e. whether the numerator or denominator is an MPM).

6 Amendments to other PSAKs

6.1 PSAK 207: *Statement of Cash Flows*

To improve the comparability of statement of cash flows among entities, PSAK 118 amends PSAK 207 in terms of:

PSAK 207.18(b), 20
- starting point for indirect method on the cash flows from operating activities – an entity shall use operating profit or loss subtotal as the starting point.

PSAK 207.33A, 34A-34D
- classification of interest and dividend – no longer an accounting policy choice.

The following table summarizes classification of interest and dividends based on whether or not the entity has SMBA.

Entities *without* SMBA		
Cash flow items	**Current PSAK 207***	**Amended PSAK 207**
Interest paid	Operating or financing	Financing
Interest received	Operating or investing	Investing
Dividends received	Operating or investing	Investing
Dividends paid	Operating or financing	Financing

* Under current PSAK 207, the classification is subject to an accounting policy choice.

Entities *without* SMBA		
Cash flow items	**Classification in the income statement**	**Classification in the statement of cash flows**
Interest paid **Interest received** **Dividends received**	In a single category	In the same category
	In more than one category	For each cash flow item, an accounting policy choice applies to classify the corresponding cash flow in one of the income statement categories
Dividends paid	If dividends paid relate to instruments classified as liabilities, see above guidance on ‘interest paid’ Classification in the income statement is not relevant if dividends paid relate to instruments classified as equity	Financing

PSAK 207.33A, 34B-34D

For an entity with SMBA, i.e. providing financing to customer and/or investing in assets, when interest and dividends are classified in more than one category in the income statement, it is an accounting policy choice to classify the item to one corresponding cash flow activity. For example, if an entity classifies interest expenses in the operating category and the financing category of the income statement, the entity shall classify all its interest paid in accordance with its accounting policy as either cash flows from operating activities or cash flows from financing activities.

6.2 PSAK 233: *Earnings per Share (EPS)*

PSAK 233.73B

In addition to basic and diluted EPS amount, an entity is permitted to disclose additional amounts per share only if the numerator is either a total or subtotal identified in PSAK 118 or is an MPM.

6.3 PSAK 234: *Interim Financial Reporting*

PSAK 234.16A(m), 118.PP120

An entity is required to disclose information about MPMs in the interim financial statements. Only MPMs that relate to the entity's financial performance in the interim reporting period that need to be disclosed in the interim financial statements.

PSAK 118.C04

If an entity applies PSAK 234 in preparing condensed interim financial statements in the first year of applying PSAK 118, the entity is required to use the headings it expects to use in applying PSAK 118 and to present the mandatory subtotals required by PSAK 118.69-74 despite PSAK 234.10 requires both information that were included in its most recent annual financial statements. The entity can apply the requirement in PSAK 234.10 after it has issued its first set of annual financial statements prepared in accordance with PSAK 118.

PSAK 118.C05

If an entity applies PSAK 234 in preparing interim financial statements in the first year of applying PSAK 118, the entity is required to disclose reconciliations for each line item presented in the income statement for the comparative periods immediately preceding the current and cumulative current periods. The reconciliation is required for each line item in the income statement between:

- the restated amounts presented under PSAK 118; and
- the amounts previously presented under PSAK 201.

PSAK 118.C06

The reconciliations are permitted, but not required, for the current period or earlier comparative periods.

7 Effective date and transition

PSAK 118.C01

PSAK 118 applies for annual reporting periods beginning on or after 1 January 2027, with early application permitted. An entity shall disclose the fact if it chooses to early apply the standard.

PSAK 118.C02, C03

PSAK 118 shall be applied retrospectively, hence the requirement in PSAK 208 applies, except for requirement to present quantitative information according to PSAK 208.28(f). When an entity applies PSAK 118, it shall disclose a reconciliation for each line item of the comparative period in the income statement between:
- the restated amounts presented applying PSAK 118; and
- the amounts previously presented applying PSAK 201.

PSAK 118.C06

An entity is permitted, but not required, to disclose the reconciliations described above for the current period or earlier comparative periods.

PSAK 118.C07

At the date of initial application of PSAK 118, an eligible entity (see section 5.2) is permitted to change the policy to measure the investment in associate or joint venture, from equity method to fair value through profit or loss in accordance with PSAK 109. If the eligible entity chooses to do so, it shall apply the change retrospectively applying PSAK 208. An entity applying paragraph 11 of PSAK 227: *Separate Financial Statements* shall make the same change in its separate financial statements.

8 Differences with IFRS 18

PSAK 118 does not apply to sharia entities because the presentation of sharia financial statements follows PSAK 401: *Presentation of Sharia Financial Statements*.

Legacy differences between PSAK 201 and IAS 1 are retained, among others:

PSAK 118.A

- Unlike IFRS Accounting Standards, definition of SAK Indonesia includes accounting pronouncements issued by “capital market regulator for entities under its oversight”, to the extent that the pronouncements are not in conflict with other requirements of SAK Indonesia (refer to ISAK 332: *Definition and Hierarchy of SAK Indonesia*).

9 Appendices

9.1 Entity with SMBA – Retail and investment banks

Illustrative income statement

Retail and investment banks that provide financing to customers and invest in financial assets

Operating	Interest revenue calculated using the effective interest method (including those on cash and cash equivalents)	X
Operating	Interest expense (on specified main business activities)	(X)
Operating	**Net interest income**	**X**
Operating	Fee and commission income	X
Operating	Fee and commission expense	(X)
Operating	**Net fee and commission income**	**X**
Operating	Net trading income	X
Operating	Net investment income	X
Operating	Net gain/(loss) arising from derecognition of amortized cost financial assets	(X)
Operating	**Total income**	**X**
Operating	Impairment losses on financial instruments measured at amortized cost and at fair value through other comprehensive income	(X)
Operating	Employee benefits expense	(X)
Operating	Depreciation and amortization expense	(X)
Operating	Other operating expenses	(X)
	Operating profit	**X**
Investing	Share of profit or loss of equity-accounted investees	X
Investing	Income from other investments (not as main business activity)	X
	Profit or loss before financing and income tax	**X**
Financing	Interest expense on borrowings that are not part of main business activity	(X)
Financing	Interest expense on lease and pension liabilities	(X)
	Profit or loss before income tax	**X**
Income tax	Income tax expense	(X)

New categories

Additional subtotals

New subtotals

9.2 Entity with SMBA – Insurer

Illustrative income statement
Insurers that invest in assets as a main business activity

Operating	Insurance revenue[1]	X
Operating	Insurance service expenses[1]	(X)
Operating	Net expenses from reinsurance contracts[1]	(X)
Operating	**Insurance service result[1]**	**X**
Operating	Interest revenue calculated using the effective interest method	X
Operating	Net gains on investments in associates and joint ventures measured at fair value[2]	X
Operating	Other investment revenue	X
Operating	Net impairment losses on financial assets	(X)
Operating	**Investment result**	**X**
Operating	Net finance expenses from insurance contracts[1]	(X)
Operating	Net finance income from reinsurance contracts[1]	X
Operating	Movement in investment contract liabilities	(X)
Operating	**Net financial result[3]**	**X**
Operating	Operating expenses not directly attributable to insurance contracts	(X)
	Operating profit or loss	**X**
Investing	Share of profit or loss of equity-accounted investees	X
	Profit or loss before financing and income taxes	**X**
Financing	Unwinding of discount on pension liabilities	(X)
Financing	Interest expense on borrowings	(X)
	Profit or loss before income tax	**X**
Income tax	Income tax expense	(X)
	Profit or loss from continuing operations	**X**
Discontinued operation	Profit or loss from discontinued operation	X
	Profit or loss	**X**

New categories: Operating, Investing, Financing

Additional subtotals: Insurance service result, Investment result, Net financial result

New subtotals: Operating profit or loss, Profit or loss before financing and income taxes

Notes:

[1] Required line items related to PSAK 117

[2] This line item relates only to net gains on investments in associates and joint ventures that qualify for measurement at fair value under PSAK 228.18

[3] Calculated as the sum of the investment result plus/less net finance income/expenses from (re)insurance contracts less movement in investment contract liabilities.

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