A Guide to the Indonesian Financial Accounting Standards 2023

August 2023

Abbreviations

IAI	Institute of Indonesia Chartered Accountants
DSAK	Indonesian Financial Accounting Standards Board
DSAS	Sharia Financial Accounting Standards Board
TF CCR IAI	IAI's Comprehensive Corporate Reporting Task Force
PSAK	Indonesian Financial Accounting Standards issued by DSAK IAI
ISAK	Interpretation of PSAK issued by DSAK IAI
IASB	International Accounting Standards Board
KSPKI	Indonesian Financial Reporting Standards Framework
IFRS IC	IFRS Interpretations Committee
SIC	Standing Interpretations Committee
IFRS	International Financial Reporting Standards issued by the IASB
IAS	International Accounting Standards issued by the IASB
IFRIC	Interpretation of IFRS issued by the IFRS IC

Introduction

The purpose of this publication is to provide a roundup of the recent changes in the Indonesian financial accounting standards which we believe are important to accounting and audit professionals.

In this edition, we provide:

- Summary of the new and revised PSAK which are effective for annual reporting periods beginning on or after 1 January 2023, organised by effective dates.
- Practical guide to the new and revised PSAK which are effective for annual reporting periods beginning on or after 1 January 2023.
- Brief description on forthcoming new and/or revised PSAK that issued but are not yet effective for annual reporting periods on or after 1 January 2023.
- Comparison PSAK against IFRS.

For new and revised PSAK that issued but are not effective yet for annual reporting on or after 1 January 2023, the entities will need to consider and disclose in their current financial statements, the possible effects that these new and revised PSAKs might have in the period of initial application. DSAS-IAI also has issued new sharia accounting standards, PSAK 107 - *Ijarah* which has been effective as of 1 January 2023 and PSAK 109 - *Accounting for Zakat, Infaq, and Alms* and *PSAK 101 - Sharia Financial Statements Presentation* which will be effective as of 1 January 2024. The new sharia standards will not be covered in this publication.

Lastly, we will introduce about Four Pillars of Indonesian Financial Accounting Standards which has been approved by DSAK-IAI in December 2022 in the Section 2. The overall contents of this publication cover only one pillar which is Standar Akuntansi Keuangan Indonesia (SAK Indonesia) since it is generally applied by Indonesian entities.

Contents

Section 1: Indonesian Financial Accounting Standards

Summary of new and revised standards or interpretations effective for annual reporting periods on or after 1 January 2023

PSAK	Title	Effective date*
Amendments to PSAK 16	*Property, Plant, and Equipment – Proceeds before Intended Use*	1 January 2023
Amendments to PSAK 1	*Disclosure of Accounting Policies*	1 January 2023
Amendments to PSAK 25	*Definition of Accounting Estimates*	1 January 2023
Amendments to PSAK 46	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to PSAK 107**	*Ijara Accounting*	1 January 2023
Amendments to PSAK 109**	*Accounting for Zakat, Infaq, and Alms*	1 January 2024
Amendments to PSAK 101**	*Sharia Financial Statements Presentation*	1 January 2024
Amendments to PSAK 73	*Lease Liability in a Sale and Leaseback Transaction*	1 January 2024
Amendments to PSAK 1	*Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants*	1 January 2024
PSAK 74	*Insurance Contracts*	1 January 2025
Amendments to PSAK 74	*Initial Application of PSAK 74 and PSAK 71—Comparative Information*	1 January 2025

*Annual reporting periods beginning on or after

** The new sharia standards will not be covered in this publication

Practical guide to the new and revised PSAK effective for annual reporting periods on or after 1 January 2023

The following section sets out information which contains an overview of the changes in financial reporting requirement which come into effect in 2023 including the potential impacts of the changes and relevant key financial reporting considerations.

Amendments to PSAK 16 – *Property, Plant, and Equipment – Proceeds before Intended Use*

In February 2021, the DSAK-IAI has amended PSAK 16 – Property, plant, and equipment ("PPE") regarding proceed before intended use. There has been diversified treatment on proceeds from selling items produced by property, plant, and equipment before it is available for its intended use. In this amendment, PSAK 16 prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with PSAK 14 *Inventories*.

Clarification is also made to the meaning of "testing whether an asset is functioning properly" by specifying this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or administrative purposes. The financial performance is not relevant to this assessment.

An entity is also required to disclose the amount of proceeds and costs of items produced by PPE before it intended use included in profit or loss for output which is not part of the entity's ordinary activities (if they are not separately presented). In addition, an entity shall disclose details of which line item (s) of the statement of profit or loss and other comprehensive incomes the amounts are included within.

Impact:	The amendment could result in the recognition of higher cost of property, plant, and equipment items for an entity which previously recognised the net proceeds from selling items produced by PPE before its intended use as deduction of cost of property, plant, and equipment.
Effective date and transition:	An entity applies the amendments on or after 1 January 2023 retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.
Key consideration:	Consider whether an entity's existing accounting policy requires revision to align with the amendments which prohibits deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced before that asset is available for use. These may require significant judgement.

The amendments are generally adopted from the amendments to IAS 16 - *Property, Plant, and Equipment – Proceeds before Intended Use* as issued by the IASB.

For more information: IFRS in Focus Newsletter

Amendments to PSAK 1 - *Disclosure of Accounting Policies*

In July 2021, DSAK-IAI has amended PSAK 1 – Presentation of financial statement. The amendments change the requirements in PSAK 1 with regard to disclosure of accounting policies. DSAK-IAI decided to amend PSAK 1 to replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Further amendments to PSAK 1 are made to explain how an entity can identify a material accounting policy and clarifies that not all accounting policy information relating to material transactions, other events or conditions is itself material to financial statements. Examples of when an accounting policy is likely to be material are also added.

Impact:	The disclosure of accounting policy information in notes to financial statements is expected to be more effective since PSAK 1 has provided guidance in applying the concept of materiality. An entity will no longer disclose the accounting policy only copying the requirement of accounting standards.
Effective date and transition:	This amendment effective for annual reporting periods on or after 1 January 2023, prospectively.
Key consideration:	Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. With the introduction of the concept of ‘material accounting policy’, entities would need to apply judgement to consider whether a particular accounting policy under its circumstances would be considered as material. Although not mandatorily required to apply, and are not adopted by DSAK IAI, entities are encouraged to refer to IFRS Practice Statement 2, as it provides guidance to entities on how to make those judgements on material accounting policies information.

The amendments are adopted from the amendments to IAS 1 - *Disclosure of Accounting Policies* as issued by the IASB. To support the amendments, the IASB has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2. IFRS Practice Statements have not been adopted by DSAK IAI.

For more information: IFRS in Focus Newsletter

Amendments to PSAK 25 - *Definition of Accounting Estimates*

Before the amendments, PSAK 25 *Accounting Policies, Changes in Accounting Estimates and Errors* (PSAK 25) included definitions of accounting policies and a change in accounting estimates, but entities found it difficult to distinguish between accounting policies and accounting estimates. The combination of a definition of one item (accounting policies) with a definition of a change in another item (change in accounting estimates) obscured the distinction between both items. DSAK-IAI decided to replace the definition of a change in accounting estimates with a definition of accounting estimates. The distinction is important as changes in accounting policies must be applied retrospectively whereas changes in accounting estimates are required to be accounted for prospectively.
Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.

The DSAK IAI also clarifies that a change in accounting estimates that result from new information or new developments is not the correction of an error. In addition, the effects of a change in input or a measurement technique used to develop accounting estimates are changes in accounting estimates if they do not result from the correction of prior period errors.

Impact:	The amendments are issued to provide entities clearer distinction between accounting policies and accounting estimates which are expected had inconsequential impact.

Effective date and transition:	The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period.
Key consideration:	Identifying accurately whether a change is arising from a change in accounting estimates or accounting policy is critical as the former entails a prospective accounting application whilst the latter is to be applied retrospectively.

The amendments are generally adopted from the amendments to IAS 8 - *Definition of Accounting Estimates* as issued by the IASB.

For more information: IFRS in Focus Newsletter

Amendments to PSAK 46 - *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

For some transactions, PSAK requires the simultaneous recognition of an asset and a liability. A consequence is that PSAK 46 could also require the recognition of offsetting temporary differences. Before this amendment, it was not clear whether PSAK 46 required recognition of deferred taxes for the offsetting temporary differences arising from simultaneous recognition of asset and liability or whether the initial recognition exemption (“IRE”) can be applied. IRE prohibits an entity from recognising deferred tax assets and liabilities on initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable profit.

In this amendment, the DSAK- IAI amends PSAK 46 to provide a further exception from the initial recognition exemption. An entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. This will typically be applicable to transactions which taxable and deductible temporary differences associated with right-of-use assets and lease liabilities, and decommissioning obligations and corresponding amounts recognised as assets.

Impact:	Additional deferred tax assets (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and liabilities are recognised because of temporary differences arising from simultaneous recognition of asset and liability.
Effective date and transition:	The amendment is effective on or after 1 January 2023 and should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.
Key consideration:	Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments. Therefore, consider whether an entity’s existing accounting policy requires revision to align with the amendments and the need to recognise related deferred tax assets and deferred tax liabilities arising from simultaneous recognition of asset and liability.

The amendments are generally adopted from the amendments to IAS 12 - *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* as issued by the IASB.

For more information: IFRS in Focus Newsletter

New and revised PSAK issued but not yet effective for annual reporting period on or after 1 January 2023

Amendments to PSAK 73 - *Lease Liability in a Sale and Leaseback*

The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in PSAK 72 *Revenue from Contracts with Customers* to be accounted for as a sale.
The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right-of-use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease.

Without these new requirements, a seller-lessee may have recognised a gain on the right-of-use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in PSAK 73. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

As part of the amendments, an Illustrative Example in PSAK 73 is amended and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability, that arises from a sale and leaseback transaction that qualifies as a sale applying PSAK 71, is a lease liability.

Effective date and transition:	• The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If a seller-lessee applies the amendments for an earlier period, it is required to disclose that fact. • A seller-lessee applies the amendments retrospectively in accordance with PSAK 25 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied PSAK 73.

The amendments are generally adopted from the amendments to IFRS 16 - *Lease Liability in a Sale and Leaseback* as issued by the IASB.

For more information: IFRS in Focus Newsletter

Amendments to PSAK 1 – *Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants*

In 2020, DSAK-IAI issued amendment of PSAK 1 (2020 amendments) titled *Classification of Liabilities as Current or Non-current*. DSAK-IAI clarified that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period. In addition, the 2020 amendments specified how an entity assesses whether it has the right to defer settlement of a liability when that right is subject to compliance with specified conditions (in the amendments referred to as 'covenants') within twelve months after the reporting period. The key changes introduced by the 2020 amendments are:

- A clarification to emphasise that for a liability to be classified as non-current, the entity's right to defer settlement must exist 'at the end of the reporting period'
- A clarification in which for a liability to be non-current an assessment is required of whether an entity has the right to defer settlement of a liability and not whether the entity will exercise that right
- The word 'unconditional' was removed from paragraph 69 and a new paragraph was added to clarify that if the right to defer settlement is conditional on the compliance with covenants the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date

- A definition of the word 'settlement' was added and states "For the purpose of classifying a liability as current or non-current, settlement refers to a transfer to the counterparty that results in the extinguishment of the liability." This transfer could be of cash, goods and services or the entity's own equity instruments
- The circumstances when counterparty conversion options affect classification as current or non-current were clarified

In 2022, DSAK-IAI issued amendment of PSAK 1 (2022 amendments) titled Non-current Liabilities with Covenant. The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The right to defer settlement is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

Effective date and transition:	The amendments will be effective for annual reporting periods beginning on or after 1 January 2024 and will need to be applied retrospectively in accordance with PSAK 25. If an entity adopts the 2022 amendments for an earlier period, it is also required to early adopt the 2020 amendments. At the same time, the effective date of the 2020 amendments is aligned to 1 January 2024. An entity that applies the 2020 amendments after the publication of the 2022 amendments is required to also apply the 2022 amendments for that period.

For more information: IFRS in Focus Newsletter

PSAK 74 *Insurance Contracts*

In November 2020, DSAK-IAI has issued PSAK 74 *Insurance Contracts* which supersedes PSAK 62 *Insurance Contracts*, establishes the requirements for recognition, measurement, presentation, and disclosure of insurance contracts. In addition, DSAK-IAI has issued further amendment of PSAK 74 in December 2021 about Initial Application of IFRS 17 and IFRS 9 – Comparative information.

Scope

PSAK 74 Insurance Contracts is the accounting standard that applies to insurance contracts regardless of the issuer, i.e. PSAK 74 does not apply only to insurance or reinsurance entities. This means that some contracts entered into by non-insurers may be in the scope of PSAK 74 and consequently will need to be accounted for using the requirements in PSAK 74. An entity shall apply PSAK 74 to:

- Insurance contracts, including reinsurance contracts, it issues;
- Reinsurance contracts it holds; and
- Investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts.

Some contracts meet the definition of an insurance contract but have as their primary purpose the provision of services for a fixed fee. Such issued contracts are in the scope of the standard, unless an entity chooses to apply PSAK 72 to these contracts, provided certain criteria in PSAK 74 paragraph 8 are met.

An investment contract with Direct Participating Feature ("DPF") is a financial instrument and it does not include a transfer of significant insurance risk. It is in the scope of PSAK 74 only if the issuer also issues insurance contracts. The requirements in PSAK 74 are modified for such investment contracts.

An insurance contract may contain one or more distinct components that would be within the scope of another standards if they were separate contracts. PSAK 74 provides criteria to determine when the non-insurance component is distinct from the host insurance contract. PSAK 71 should be applied to determine whether there is an embedded derivative to be separated and how to account for such a derivative. Many insurance contracts contain investment component, defined as amounts payable to policyholders irrespective of insured events occurring. An investment component should be separated from host insurance contract, if that investment component is distinct, with separated element accounted under PSAK 71. An obligation to sell non-insurance goods and services should be separated from a host insurance contract and accounted for under PSAK 72.

Level of aggregation

PSAK 74 requires entities to identify portfolios of insurance contracts which are subject to similar risks and managed together. Each portfolio shall be divided into a minimum of three groups:

- a group of contracts that are onerous at initial recognition, if any;
- a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and
- a group of the remaining contracts in the portfolio, if any

An entity is not permitted to include contracts issued more than one year apart in the same group. Furthermore, if a portfolio falls into different groups only because law or regulation constrains the entity's practical ability to set a different price or level of benefits for policyholders with different characteristics, the entity may include those contracts in the same group. The groups are established at the inception of the contracts and not subsequently reassessed.

Recognition

An entity shall recognise a group of insurance contracts it issues from the earliest of the following:

a) the beginning of the coverage period of the group of contracts;

b) the date when the first payment from a policyholder in the group becomes due; and

c) for a group of onerous contracts, when the group becomes onerous.

Measurement

The standard measures insurance contracts either under the general model or a simplified version called the Premium Allocation Approach.

The general model is defined such that at initial recognition, an entity shall measure a group of contracts at the total of:

- the amount of fulfilment cash flows ("FCF"), which comprise probability-weighted estimates of future cash flows, an adjustment to reflect the time value of money ("TVM") and the financial risks associated with those future cash flows and a risk adjustment for non-financial risk; and
- the contractual service margin ("CSM").

An entity shall include all the future cash flows within the boundary of each contract in the group. The estimates of future cash flows shall be current, explicit, unbiased, and reflect all the information available to the entity without undue cost and effort about the amount, timing and uncertainty of those future cash flows. The discount rate applied to the estimate of cash flow shall reflect the time value of money, the characteristics of cash flows and liquidity characteristics of the insurance contracts. They should be consistent with observable market prices of those financial instruments whose cash flow characteristics are consistent with those of the insurance contracts, but shall not reflect risks not present in insurance contract.

On subsequent measurement, the carrying amount of a group of insurance contracts shall be the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the FCF related to future services and the CSM of the group at that date. The liability for incurred claims is measured as the FCF related to past services allocated to the group at that date, includes also a liability for claims incurred but not yet reported.

An entity may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the premium allocation approach on the condition that, at initial recognition, the entity reasonably expects that doing so would produce a reasonable approximation of the general model, or the coverage period of each contract in the group is one year or less.

Presentation

The new standard is expected to result in significant changes to presentation in the statement of financial performance. It requires more granular and detailed disclosures in financial statements given the high degree of judgement in the standard.

Effective date and transition:	PSAK 74 is effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted if PSAK 71 has also been applied. Three possible approaches are introduced to transition to PSAK 74, including Full Retrospective Approach, Modified Retrospective Approach and Fair Value Approach

For more information: IFRS in Focus Newsletter (IFRS 17) and IFRS in Focus Newsletter (IFRS 17 amendments)

Amendments to PSAK 74 *Initial Application of PSAK 74 and PSAK 71 - Comparative Information*

Many insurers have elected to apply the temporary exemption that allows them to defer the adoption of PSAK 71 Financial Instruments until they apply PSAK 74. However, the two Standards have different requirements with respect of the comparative information presented on initial application. PSAK 74 requires entities to present at least one restated comparative period, while PSAK 71 permits (but does not require) restatement of comparative periods. PSAK 71 prohibits entities from applying PSAK 71 to financial assets derecognised before the date of initial application of PSAK 71.

In December 2021, the DSAK-IAI issued a narrow-scope amendment to the transition requirements of PSAK 74 for entities that first apply PSAK 74 and PSAK 71 at the same time. The amendment relates to financial assets for which comparative information presented on initial application of PSAK 74 and PSAK 71 has not been restated (including financial assets that have been derecognised in the comparative period) under PSAK 71.

Applying the amendment, an entity is permitted to present comparative information about such financial assets as if the classification and measurement requirements of PSAK 71 had been applied to the financial assets. The option is available on an instrument-by-instrument basis. In applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of PSAK 71.

Effective date and transition:	The amendment is effective for annual reporting period on or after 1 January 2025. The amendment is also available for entities that have applied PSAK 71 before they apply PSAK 74. For these entities, the classification overlay applies to financial assets that have been derecognised in the comparative period and permits an entity to apply the redesignation

requirements of PSAK 74 based on how the entity expects the assets would have been designated at initial application of PSAK 74.

The amendments are generally adopted from the amendments to IFRS 17 *Initial Application of IFRS 17 and IFRS 9 - Comparative Information* as issued by the IASB.

For more information: IFRS in Focus Newsletter

Summary of key differences between PSAK and IFRS

PSAK and ISAK which are issued by DSAK-IAI are aligned with the IFRS and interpretations issued by the IASB and the IFRS IC, respectively, in all significant respects. The key differences between PSAK and IFRS for annual reporting period beginning on or after 1 January 2023 are as below:

IFRS		PSAK		Key differences
IFRS 1	*First-time Adoption of International Financial Reporting Standards*	-	No equivalent standard in PSAK	There is no equivalent standard in SAK Indonesia pillar. However, for Indonesian entities which are allowed by Capital Market Regulator and opts to apply SAK Internasional, IFRS 1 will be applied for first time adoption. **Section 2** of this publication will provide brief description on Indonesian Financial Accounting Standard pillars.
IFRS 2	*Share-based Payment*	PSAK 53	*Share-based Payment*	
IFRS 3	*Business Combinations*	PSAK 22	*Business Combinations*	
IFRS 4	*Insurance Contracts*	PSAK 62 PSAK 28 PSAK 36	*Insurance Contracts* *Accounting for loss insurance* *Accounting for life insurance*	IASB has issued IFRS 17 effective for annual reporting period beginning on or after 1 January 2023 and supersede IFRS 4. DSAK-IAI has issued PSAK 74 that will be effective on 1 January 2025 and will supersede PSAK 62, PSAK 28 and PSAK 36; early application is permitted. PSAK 28 and 36 are complementary to the requirements in PSAK 62. There are no standards in IFRS/IAS which are equivalent to PSAK 28 and 36.
IFRS 5	*Non-current Assets Held for Sale and*	PSAK 58	*Non-current Assets Held for Sale and Discontinued Operations*	

	Discontinued Operations			
IFRS 6	*Exploration for and Evaluation of Mineral Resources*	PSAK 64	*Exploration for and Evaluation of Mineral Resources*	
IFRS 7	*Financial Instruments: Disclosures*	PSAK 60	*Financial Instruments: Disclosures*	
IFRS 8	*Operating Segments*	PSAK 5	*Operating Segments*	
IFRS 9	*Financial Instruments*	PSAK 71	*Financial Instruments*	
IFRS 10	*Consolidated Financial Statements*	PSAK 65	*Consolidated Financial Statements*	PSAK 65 is consistent with IFRS 10 in all significant respects, except for the exception to prepare consolidated financial statements for the parent entity as stipulated in IFRS 10 paragraph 4 (a).
IFRS 11	*Joint Arrangements*	PSAK 66	*Joint Arrangements*	
IFRS 12	*Disclosure of Interests in Other Entities*	PSAK 67	*Disclosures of Interest in Other Entities*	
IFRS 13	*Fair Value Measurement*	PSAK 68	*Fair Value Measurement*	
IFRS 14	*Regulatory deferral accounts*		*No equivalent standard under PSAK*	IFRS 14 is applicable to entities that apply IFRS 1 as first-time adopters of IFRS. It permits such entities, on adoption of IFRS, to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment, and de-recognition of regulatory deferral accounts. IFRS 14 will applicable if Indonesian reporting entity first time adopts SAK International.
IFRS 15	*Revenue from contract with customers*	PSAK 72	*Revenue from contract with customers*	

IFRS 16	*Leases*	PSAK 73	*Leases*	
IFRS 17	*Insurance Contracts*	PSAK 74	*Insurance Contracts*	PSAK 74 is consistent with IFRS 17 in all significant respects and effective from 1 January 2025 (early application is permitted), while for IFRS reporters, the standard is effective on 1 January 2023.
IAS 1	*Presentation of Financial Statements*	PSAK 1	*Presentation of Financial Statements*	Several differences noted as below: • PSAK 1 defines that Indonesian Financial Accounting Standard consists of the Statements of Financial Accounting Standards that are issued by DSAK-IAI and DSAS-IAI, their interpretations and financial reporting rules issued by capital market authorities. IAS 1 defines IFRS as Standards and Interpretations adopted by IASB which comprise IFRS, IAS and its interpretation. In addition, IAS 1 does not include shariah accounting standards and financial reporting rules issued by capital market authorities. • Under PSAK 1, where compliance with the PSAK would be so misleading that it would conflict with the objectives of the financial statements, an entity is not allowed to depart from the relevant standards; however it may disclose the fact that: (a) the application of those standards would be misleading and (b) an alternative reporting basis should be applied to achieve fair presentation of the financial statements. IAS 1, under similar circumstances, allows for departure from the prevailing standards. • PSAK 1 states that management is responsible for preparation and presentation of financial statements.
IAS 2	*Inventories*	PSAK 14	*Inventories*	
IAS 7	*Statement of Cash Flows*	PSAK 2	*Statement of Cash Flows*	

IAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*	PSAK 25	*Accounting Policies, Changes in Accounting Estimates and Errors*	
IAS 10	*Events after the Reporting Period*	PSAK 8	*Events after the Reporting Period*	IAS 10 requires disclosure in cases where owners or other parties have the power to amend financial statements after issue. PSAK does not require such disclosure.
IAS 12	*Income Taxes*	PSAK 46	*Income Taxes*	PSAK 46 is consistent with IAS 12 in all significant respects. The IASB published amendments to IAS 12 to introduce a temporary exception from accounting for deferred taxes arising from the implementation of the OECD Pillar Two model rules, together with targeted disclosure requirements for affected entities. This amendment is effective for annual reporting periods beginning on or after 1 January 2023. Up this publication has been released, DSAK-IAI has not issued the similar amendment on PSAK 46.
IAS 16	*Property, Plant and Equipment*	PSAK 16	*Property, Plant and Equipment*	PSAK 16 is consistent with IAS 16 in all significant respects, except for amendment regarding the accounting treatment for Proceeds Before Intended Use. The amendment will be mandatory applicable for PSAK reporter on or after 1 January 2023, while for IFRS reporters, the amendment has been effective on or after 1 January 2022.
IAS 19	*Employee Benefits*	PSAK 24	*Employee Benefits*	
IAS 20	*Accounting for Government Grants and Disclosure of Government Assistance*	PSAK 61	*Accounting for Government Grants and Disclosure of Government Assistance*	
IAS 21	*The Effects of Changes in*	PSAK 10	*The Effects of Changes in Foreign Exchange Rates*	

	Foreign Exchange Rates			
IAS 23	*Borrowing Costs*	PSAK 26	*Borrowing Costs*	
IAS 24	*Related Party Disclosures*	PSAK 7	*Related Party Disclosures*	
IAS 26	*Accounting and Reporting by Retirement Benefit Plans*	PSAK 18 A	*Accounting and Reporting by Retirement Benefit Plans*	
IAS 27	*Separate Financial Statements*	PSAK 4	*Separate Financial Statements*	PSAK 4 is consistent with IAS 27 in all significant respects, except that PSAK 4 does not allow a parent entity to present its own separate financial statements as standalone general purpose financial statements. PSAK 4 stipulates that the separate financial statements have to be presented as supplementary information to the consolidated financial statements.
IAS 28	*Investments in Associates and Joint Ventures*	PSAK 15	*Investments in Associates and Joint Ventures*	IAS 28 provides an exemption from applying the equity method of accounting for its associates or joint venture if the parent is exempt from preparing consolidated financial statements by the scope exception in IFRS 10 paragraph 4 (a). Such scope exception is not adopted in PSAK 65.
IAS 29	*Financial Reporting in Hyperinflationary Economies*	PSAK 63	*Financial Reporting in Hyperinflationary Economies*	
IAS 32	*Financial Instruments: Presentation*	PSAK 50	*Financial Instruments: Presentation*	
IAS 33	*Earnings per Share*	PSAK 56	*Earnings per Share*	
IAS 34	*Interim Financial Reporting*	PSAK 3	*Interim Financial Reporting*	PSAK 3 is consistent with IAS 34 in all significant respects. However, under the prevailing capital market regulations, listed companies are required only to report cumulative year-to-date information (and related comparatives) for the Statement of Comprehensive

				Income ("SoCI") and are not required to present current interim period SoCI
IAS 36	*Impairment of Assets*	PSAK 48	*Impairment of Assets*	
IAS 37	*Provisions, Contingent Liabilities and Contingent Assets*	PSAK 57	*Provisions, Contingent Liabilities and Contingent Assets*	
IAS 38	*Intangible Assets*	PSAK 19	*Intangible Assets*	
IAS 40	*Investment Property*	PSAK 13	*Investment Property*	
IAS 41	*Agriculture*	PSAK 69	*Agriculture*	

IFRIC/SIC		ISAK		Key differences
IFRIC 1	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*	ISAK 9	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*	
IFRIC 2	*Members' Shares in Cooperative Entities and Similar Instruments*		*No equivalent interpretation*	IFRIC 2 is not adopted since cooperatives in Indonesia do not issue shares to their members.
IFRIC 5	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*		*No equivalent interpretation*	IFRIC 5 is not adopted.
IFRIC 6	*Liabilities arising from Participating in a Specific Market – Waste Electrical and*		*No equivalent interpretation*	IFRIC 6 is not adopted.

	Electronic Equipment			
IFRIC 7	*Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*	ISAK 19	*Applying the Restatement Approach under PSAK 63 Financial Reporting in Hyperinflationary Economies*	
IFRIC 10	*Interim Financial Reporting and Impairment*	ISAK 17	*Interim Financial Reporting and Impairment*	
IFRIC 12	*Service Concession Arrangements*	ISAK 16	*Service Concession Arrangements*	
IFRIC 14	*IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	ISAK 15	*PSAK 24 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*	ISAK 13	*Hedges of a Net Investment in a Foreign Operation*	
IFRIC 17	*Distributions of Non-cash Assets to Owners*	ISAK 11	*Distributions of Non-cash Assets to Owners*	
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*	ISAK 28	*Extinguishing Financial Liabilities with Equity Instruments*	
IFRIC 20	*Stripping costs in the production phase of a surface mine*	ISAK 29	*Stripping costs in the production phase of a surface mine*	
IFRIC 21	*Levies*	ISAK 30	*Levies*	
IFRIC 22	*Foreign currency transactions*	ISAK 33	*Foreign currency transactions and*	

	and advance consideration		*advance consideration*	
IFRIC 23	*Uncertainty over income tax treatments*	ISAK 34	*Uncertainty over income tax treatments*	
SIC-7	*Introduction of the Euro*		*No equivalent interpretation*	SIC 7 is not adopted. For IFRS reporters, it is effective from 1 January 1998.
SIC-10	*Government Assistance No Specific Relation to Operating Activities*	ISAK 18	*Government Assistance No Specific Relation to Operating Activities*	
SIC-25	*Income Taxes Changes in the Tax Status of an Entity or its Shareholders*	ISAK 20	*Income Taxes Changes in the Tax Status of an Entity or its Shareholders*	

There are other specific PSAKs and ISAKs that have no equivalent standards under IFRS:

- PSAK 38: "Kombinasi Bisnis Entitas Sepengendali"/Accounting for Business Combination Under Common Control Entities
- PSAK 70: "Akuntansi Aset dan Liabilitas Pengampunan Pajak"/Accounting for Tax Amnesty Assets and Liabilities
- ISAK 31: "Interpretasi atas Ruang Lingkup PSAK 13: Properti Investasi"/Interpretation on the scope of PSAK 13: Investment Property
- ISAK 35: "Penyajian Laporan Keuangan Entitas Berorientasi Nonlaba"/Presentation of Financial Statements for Non-profit Oriented Entities
- ISAK 36: "Interaksi antara Ketentuan Mengenai Hak atas Tanah dalam PSAK 16: Aset Tetap dan PSAK 73: Sewa"/Interaction Between Standard of Land Rights in PSAK 16: Fixed Assets and PSAK 73: Leases

Section 2: Other financial reporting matters

Indonesian Financial Accounting Standard Pillars

On December 12, 2022 DSAK-IAI has ratified the pillars of accounting standards in the preparation of general purpose financial reports in Indonesia in the form of the Indonesian Financial Reporting Standards Framework/Kerangka Standar Pelaporan Keuangan Indonesia (KSPKI), SAK International, and SAK nomenclature. KSPKI regulates SAK pillars and their transitions. SAK pillars are divided into:

1. Pillar 1: SAK International
   SAK International is a SAK that fully adopts IFRS which is *word-for-word* translation of IFRS. SAK International is the new pillar in SAK. The entities with public accountability prepare the financial statements in accordance with SAK International if the entities:
   - Have public accountability on all reporting period presented, and
   - Allowed to prepare the financial statements using SAK International by applicable capital market regulation and opt to prepare the financial statements in accordance with SAK International.
2. Pillar 2: SAK Indonesia
   SAK Indonesia is convergent with IFRS and includes PSAK and ISAK which are developer locally. Previously, SAK Indonesia was known as SAK. The entities prepare the financial statements in accordance with SAK Indonesia if the entities:
   - Have public accountability on all reporting period presented, or
   - Have public accountability, but are not allowed to prepare the financial statements using SAK International by applicable capital market regulation, or
   - Entities without public accountability and opt to prepare the financial statements in accordance with SAK Indonesia.
3. Pillar 3: SAK Indonesia for Private Entities/SAK Indonesia for Entities Without Public Accountability.
   Previously, SAK Indonesia for Private Entities was known as SAK EP (Entitas Privat), and SAK Indonesia for Entities Without Public Accountability was known as SAK ETAP (Entitas Tanpa Akuntabilitas Publik). SAK Pillar standard has determined the definition of entities without public accountability as specified in paragraph 6.
4. Pillar 4: SAK Indonesia for Small Medium Enterprises (SME)
   Previously, SAK Indonesia for SME was known as SAK EMKM (Entitas Mikro, Kecil dan Menengah). SAK EMKM could be applied by entities without public accountability and fulfill the definition of EMKM based on applicable government regulations.

In addition, KSPKI also regulates the transitions between SAK pillars. SAK nomenclature regulates the numbering of PSAK and ISAK used in SAK International and SAK Indonesia. KSPKI, SAK International, and SAK nomenclature will become effective on January 1, 2024.

Amendments of IAS 12 on Pillar Two Legislation

Background

In March 2022, the Organisation for Economic Co-operation and Development (OECD) released technical guidance on its 15% Global Minimum Tax (GMT) agreed as the second pillar of a project to address the tax challenges arising from digitalisation of the economy. This guidance elaborates on the application and operation of the Global Anti-Base Erosion (GloBE) Rules agreed and released in December 2021 which lay out a coordinated system to ensure that multinational enterprises with revenues above €750 million pay tax of at least 15% on the income arising in each of the jurisdictions in which they operate.

The IASB acknowledges that entities need time to determine how to apply the principles and requirements in IAS 12 to account for deferred taxes related to Pillar Two income taxes. The IASB also needs time to engage further with stakeholders and consider whether, for example, any action is needed to support the consistent application of IAS 12.

The amendments

The amendments introduce a temporary mandatory exception to the accounting requirements for deferred taxes in IAS 12, so that an entity neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Applying the amendments, an entity is required to disclose that it has applied the temporary mandatory exception. An entity also discloses separately its current tax expense (income) related to Pillar Two income taxes.

In period in which Pillar Two legislation is enacted or substantially enacted but not yet in effect, an entity is required to disclose known or reasonably estimable information that helps users of financial statements understand the entity's exposure to Pillar Two income taxes arising from that legislation.

To meet this disclosure objective, an entity is required to disclose qualitative and quantitative information about itys exposure to Pillar Two income taxes at the end of reporting period. That information does not need to reflect all the specific requirement of the legislation and could be provided in the form of indicative range. To the extend information is not known or reasonably estimable, an entity should instead disclose a statement to that effect and information about its progress in assessing its exposure. The examples of information an entity could disclose to meet these disclosure requirements include:

- Qualitative information such as information about how an entity is affected by Pillar Two legislation and the main jurisdictions in which exposures to Pillar Two income taxes might exist.
- Quantitative information such as:
    - An indication of the proportion of an entity's profits that might be subject to Pillar Two income taxes and the average effective tax rate applicable to those profits;or
    - An indication of how the entity's average effective tax rate would have changed if Pillar Two legislation had been in effect.

Effective date and transition

The amendments require that an entity applies the exception, including the requirement to disclose that it has applied the exception, immediately upon issuance of the amendments and retrospectively in accordance with IAS 8. The remaining disclosure requirements are effective for annual reporting periods beginning on or after 1 January 2023. An entity is not required to disclose the information warranted by these requirements for any interim period ending on or before 31 December 2023.

Section 3: Deloitte Resources

IAS Plus – http://www.iasplus.com/ provides Deloitte IFRS e-Learning modules, newsletters, IAS/IFRS model financial statements, disclosure checklist and a wealth of information on IAS/IFRS projects and issues.

http://www.deloitte.com/provides a links to websites of member firms around the world.

Deloitte Accounting Research Tool is Deloitte's comprehensive web-based library of accounting and financial disclosure literature, available on subscription basis.

This publication has been prepared by Audit Quality Assurance Department of Imelda & Rekan for general information purposes. Users of the information may wish to contact the Audit Quality Assurance Department of Imelda & Rekan for further information:

Imelda & Rekan

The Plaza Office Tower 32nd Floor
Jl. M.H. Thamrin Kav 28-30
Jakarta 10350, Indonesia
Tel: +62 21 5081 8000