PSAK IFRS Convergence in Indonesia: Study Literature

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A R T I C L E   I N F O

ABSTRACT

This study aims to identify changes from the adoption of IFRS convergence PSAK in Indonesia, to see what impacts have occurred on the financial statements of companies in Indonesia after the adoption of IFRS. Indonesia adopted IFRS into PSAK since 2012 with the aim of increasing the quality of financial accounting standards in Indonesia, so that the financial reports prepared can be used internationally. The literature review method used is the Systematic Literature Review (SLR). The characteristics of IFRS which focus on fair value to emphasize the accuracy of accounting information in financial statements affect total fixed assets, earnings management and also the value relevance of accounting information. This study identified a reduction in total fixed assets, reduced earnings management and an increase in the value relevance of accounting information using the pricing model in financial statements.

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1.   INTRODUCTION

Financial statements are important documents that contain the company's financial records for a certain period of time. Financial reports are prepared according to guidelines or references known as accounting principles. Accounting standards provide a reference in the preparation of financial statements, so that financial reports between companies will not diverge from each other. Indonesia has been slower to implement IFRS than EU countries which required companies to fully implement IFRS starting January 1, 2005. Indonesia initiated the convergence of International Financial Reporting Standards (IFRS) and financial accounting standards in 2008. This convergence is taking place in stages, with the first target IFRS implementation was completed in 2012.

The current IFRS convergence has an impact on the relevance of information value, especially on the price model, as research (Victoria et al., 2017) shows that the application of PSAK-IFRS convergence can increase the value relevance of accounting information. In addition, IFRS only emphasizes fair value, so that accounting information more accurately describes the true value of a company. Application of Accounting Standards Changes from local standards to IFRS often have a negative impact on accruals or earnings management practices through accounting policies.

The main objective of this journal is to analyze the impact of value relevance of accounting information or earnings management before and after IFRS convergence. This research is also expected to be able to inform the Standards Committee regarding the application of IFRS Converged PSAK to accounting information and earnings management, as well as provide evidence to investors that the application of IFRS Converged PSAK has an impact on the level of value relevance of

accounting information and earnings management enabling investors to determine the extent to which accounting information is available. for investment decisions.

2.   RESEARCH METHOD
Types of Research and Data Sources
The type of data that will be used in this research is secondary data. Secondary data includes journals from previous research consisting of 4 national journals related to the application of IFRS Convergence PSAK.

Data collection technique
The technique used is "Documentation" which describes standard data collection procedures that involve searching previously collected data. By using a documentation approach, information can be gathered. Both methods and documentation using books on theory, argumentation, or law, including other sources and methods related to scientific research problems, research is a process to obtain facts. Data is very important because it can be used to support or refute proven hypotheses, which are used in qualitative research using opinions, theories, or laws.

Research Model
The research model used is a literature review. Snyder (2019: 333) says that a literature review is a research methodology that aims to collect and take the essence of previous research and analyze several expert overviews written in the text. Snyder (2019: 339) concludes that literature reviews have a role as a basis for various types of research because the results of literature reviews provide an understanding of the development of knowledge, a source of stimulus for policy-making, trigger the creation of new ideas and are useful as a guide for research in certain fields.

The literature review method used is in Indonesian, Systematic Literature Review (SLR) is called a systematic literature review, which is the process of identifying, assessing and interpreting all available research evidence with the aim of providing answers to specific research questions (Kitchenham et al., 2009). It can be concluded that the Systematic Literature Review is a systematic literature review method using predetermined steps.

3.   RESULTS AND DISCUSSIONS
The application of IFRS convergence PSAK to financial reporting provides changes, especially in the fixed asset report. Prior to the implementation of the IFRS Convergence PSAK, total fixed assets were greater than after the implementation of the Convergence PSAK. This is due to differences in the revaluation process. Sabil, Qadaruddin. M, and Lestiningsih.AS (2018) in their research compared reports on fixed assets before and after the implementation of IFRS convergence through revaluation calculations based on PSAK No. 16 (Revised 2007) and IFRS which uses market prices (fair value).

Table 1. Comparison of Asset Reports

Office Name	Year	Asset Report After the Implementation of IFRS Convergence	Asset Report Prior to the Implementation of IFRS Convergence
Kantor Kesejahteraan Rakyat	2012	Rp. 2.105.663.000	Rp. 2.105.663.000
	2013	Rp. 4.304.091.000	Rp. 4.304.516.000
	2014	Rp. 5.964.153.250	Rp. 5.950.828.250

Source: Welfare Fixed Assets Report

In that study, there were differences found in the revaluation results based on PSAK No. 16 (Revised 2007) and IFRS which caused the total assets before the implementation of the IFRS Convergence PSAK to be greater than the total fixed assets after the implementation of the IFRS Convergence PSAK.

Then the researcher tested the hypothesis using the SPSS application for the t test. The results of the paired t test show that the average difference in assets before and after the implementation of the IFRS Convergence PSAK is -0.157, which means that the minus sign indicates greater assets before the implementation of the IFRS Convergence PSAK when compared to afterwards. Researchers also compared tcount and ttable.

Table 2. Paired Samples Test

| | | Paired Differences | | | | | | | |
| | | | | | 95% Confidence Interval of the Difference | | | | |
		Mean	Std. Deviation	Std. Eror Mean	Lower	Upper	T	df	Stg. (2-tailed)
Pair 1	PSAK-IFRS	-0,157	0,271	0,157	-0,831	0,517	-1	2	0,423

Source: Processed data from Sabil, et al (2018)

In the table above, it can be seen that tcount is -1.000 with a df value of 2, so that the value of ttable is 0.157 or in other words tcount > ttable with two-party test images. This proves an indication that the implementation of the IFRS Convergence PSAK has an impact on the fixed asset report, namely in the revaluation process as discussed previously. The PSAK revaluation process uses fair value as the basis for its calculation, while the IFRS revaluation process uses market value as the basis for its calculation with the aim that the fair value of fixed assets can be seen.

In the financial statements, the company's value must be properly reflected so that the company's financial condition and performance can be seen as it actually happened. Well-reflected corporate value can be said to be the value relevance of accounting information. Currently, IFRS convergence has an impact on the relevance of information value, especially on the price model, as research (Victoria et al, 2017) states that the application of PSAK-IFRS convergence can increase the value relevance of accounting information. The value relevance of accounting information in this study was tested using 2 equations, namely the price model and the return model (Rohmah and Susilowati, 2013). In this study using the price model equation with the following equation:

$$P_i = \alpha_0 + \alpha_1 BVEPS_1 + \alpha_2 NIPS_2 + Error_i$$

Keterangan:
Pi = Harga saham 3 bulan sesudah batas akhir tahun fiscal
BVEPS = Nilai buku ekuitas per lembar saham
NIPS = Laba bersih per lembar saham.

Source : Victoria et al., (2017)

Drawing conclusions for these proxies based on adjusted R2 between the periods before and after the implementation of IFRS convergence. If the adjusted R2 before the implementation of IFRS convergence <adjusted R2 after the implementation of IFRS convergence, it can be concluded that there has been an increase in the value relevance of accounting information. The data used in this research is secondary data of manufacturing companies obtained from the IDX (Indonesian Stock Exchange) for the 2010-2013 period. The adjusted R2 results were obtained before it was 0.892 and after the application of the adjusted R2 was 0.940. This indicates an increase in the value relevance of accounting information in the price model equation and PSAK-IFRS convergence has a positive impact on financial statements. The results of this study are in line with research (Rohmah and Susilowati, 2013) which states that the characteristics of IFRS which emphasize fair value make accounting information more accurate in describing the true value of the company.

IFRS adjustments also increase the comparability of financial statements and increase transparency. With the help of adjustments, Indonesian company accounts can be compared with those of companies in other countries, making it very clear which company is performing better and can improve the quality of financial accounting standards.

Table 3. Average DACC (Discretionary Accrual) Value

Period	Year	DACC *(Discretionary Accrual)*	Average DACC
Before Implementation IFRS	2009	-0,940	-0,857
	2010	-0,777	
	2011	-0,854	
After Implementation IFRS	2012	-0,483	-0,647
	2013	-0,788	
	2014	-0,670	

Source: Kurniati, E., Dani, R., Hidayat, A., & Siregar, N. O. (2021)

Table 3 shows that the earnings management carried out by consumer goods companies is negative earnings management, where companies apply earnings management by reducing company profits. The most visible change was in 2012 where the average DACC value for that year was -0.483 which is the highest value indicating a low performance management score compared to other years. The average earnings management for consumer goods companies is still low with a score that is still around 0. The higher the earnings management score, the better because it tends to be 0. Conversely, the lower the earnings management score means that the organization does more earnings management. This can be interpreted that the value of profit management fraud has decreased after convergence with IFRS. (Source: Kurniati, E., Dani, R., Hidayat, A., & Siregar, N. O., 2021.)

4. CONCLUSION

The application of IFRS Convergence PSAK which focuses on fair value to emphasize the accuracy of accounting information in financial statements affects total fixed assets, earnings management and also the value relevance of accounting information. The IFRS revaluation process uses market value as the basis for calculation, making the total fixed assets after the implementation of the IFRS Convergence PSAK smaller than before the implementation of the IFRS Convergence PSAK. This also affects the value of earnings management, which after the implementation of the IFRS Convergence PSAK, this value becomes smaller when compared to before the implementation of the IFRS Convergence PSAK. While on the cost-benefit basis, the application of PSAK based on IFRS convergence can increase costs to companies and the relevance of the value of accounting information to the price model also increases because the application of IFRS convergence PSAK which emphasizes fair value makes accounting information produced by companies more accurate in reflecting the company the real thing so as to increase investor confidence, increase access to capital and ultimately increase economic growth. From some of these studies there are also deficiencies, one of which is the lack of research sample size so that the results cannot describe the entire population.

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