Evaluation of Changes in Accounting Standards from SAK ETAP to SAK: Case Study of a Power-Plant Company

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Abstract—This study addresses the implementation of changes in accounting standards from those without public accountability (SAK ETAP) to normal financial accounting standards (SAK). Indonesia has three pillars of accounting standards that can be voluntarily chosen. PT A, the subject of our case study, used SAK ETAP until they sought to get fresh funds through an initial public offering. Under financial services authority rules, PT A's financial statements required to go public had to be prepared using SAK. This study seeks to discover the differences and impacts arising from moving from SAK ETAP to SAK. The various hypotheses tested in the literature concerning the changes in accounting policies show that changes have been made for income smoothing. The biggest impact seems to entail the restatement of financial statements, consolidation principles, deferred taxes, post-employment benefits, financial instruments, and statements of cash flow. The figures of financial position and profit and loss are adjusted, resulting in increased profits and improved financial ratios. This is contradictory to several hypotheses tested in previous studies stating that changes in accounting policies tended to cause income smoothing.

Keywords—changes in accounting standards, retrospective application, consolidated financial statements

I. INTRODUCTION

Financial statements are structures that present the financial position and performance of a company. The purpose of financial statements is providing information on financial position, performance, and cash flow, providing useful information that can be accountable both to internal and external parties [1]. When preparing financial statements, a company must comply with applicable accounting standards.

PT A has power plant projects in several locations in Indonesia. It also owns shares in subsidiaries and has significant influence. The company was initially an entity whose public accountability was insignificant. Therefore, they used accounting standards without public accountability (SAK ETAP) when preparing financial statements. The company has plans to expand its business, requiring considerable working capital. Currently, many companies make public offering as a means of obtaining working capital. To realize PT A's plan, there are requirements that must be fulfilled, as regulated by the Financial Services Authority and the Indonesian Stock Exchange. Financial statements are required for a period of 3 years or from the establishment of a company, given there is a profit in the last year. They must get an unqualified opinion on the financial statements for the last 2 years if they have net tangible assets of more than Rp100 billion. With the public offering plan, the company ceases to be an entity whose public accountability is insignificant. Thus, they must adopt the normal financial accounting standard (SAK).

Changes in the implementation of a company's accounting policies constitute significant changes to their financial statements. Thus, studies have been undertaken to determine the differences between SAK ETAP and SAK, how their implementation is implemented, and the financial impacts arising from such changes. The method used in this study includes a literature study for data collection, including PT A’s financial statements. From this study, we obtain the differences between implementations of SAK ETAP and SAK and their different impacts.

II. ANALYTICAL FRAMEWORK

A. Financial Reporting and Standards

According to [2], financial statements are useful to investors and creditors for making decisions. Financial statements should contain useful, comparable, and understandable information about economic and business activities. An entity is required to voluntarily choose their applicable financial accounting standards.

Financial accounting standards in Indonesia comprise three pillars of financial accounting standards, including SAK, SAK ETAP, and SAK for micro, small, and medium entities (EMKM) [3]. SAK is an accounting standard that regulates the accounting treatment for transactions conducted by entities with significant public accountability. SAK ETAP is a financial accounting standard for entities without significant public accountability who publishes general-purpose financial statements. Meanwhile, SAK EMKM is intended to meet the financial reporting needs of small-to-medium businesses.

Statement of Financial Accounting Standards (PSAK) 25 [4], entitled, “Changes in accounting policy, accounting estimates, and errors,” is an adoption of International Accounting Standards (IAS) 8, entitled “Accounting policies, changes in accounting estimates and errors.” If an entity changes their accounting policy as a preliminary application
of a PSAK, it must be applied retrospectively by adjusting
the beginning balance of each affected equity component for
the earliest serving period and other comparative amounts
disclosed for each period as if the new accounting policy had
been applied previously.

Consolidation is essentially a two-stage process to
eliminate any and all balances or transactions between
groups and combine the same figures to describe the group
as a single entity [5].

B. Financial Analysis

The role of financial statement analysis is to use financial
reports combine with other information to evaluate the
current, past, and potential performance and financial
position of the entities for making economic decision [6].

III. METHOD

The purpose of this study is to evaluate the changes in
accounting standards from SAK ETAP to SAK and the
impacts of those changes on the financial reporting of PT A
as a case study. To achieve the objectives of the study, an
analysis is conducted by using literature study and by
collecting and reviewing guidelines on SAK and related
accounting standards.

IV. RESULTS AND DISCUSSION

From the data collection and literature study, we learned
the differences affecting the financial statements of PT A as
they moved from SAK ETAP to SAK. First, from the
presentation of financial statements, there were some
changes arising from the use of balance sheets and liabilities
to statements of financial position and liabilities. Other
comprehensive income components required for SAK
included additional financial accounting items that were not
previously needed in SAK ETAP, such as deferred tax assets
and non-controlling interests arising from consolidation if the
company has investments in shares in a subsidiary. Another
factor was the cash-flow statement of operating activities
suggested in SAK, which required the direct method.
Another was related to the recognition and measurement of
multiple accounts, including borrowing costs on interest
costs and others incurred in connection with the borrowing of
funds entities according to PSAK No. 26 (2017) to obtain a
qualifying asset to be capitalized as part of the costs of those
assets. SAK ETAP recognizes those costs as expenses in the
statements of income. SAK also regulates the recognition
and measurement of deferred taxes on temporary differences,
including those of the carrying amount of assets and
liabilities in the financial statements and taxes. Differences
are also seen in the recognition and measurement of post-
employment benefits. SAK ETAP uses projected unit cost
method, which is simpler than SAK and is recommended by
independent actuaries. Differences are also be reflected in the
financial instrument section. The scope of financial
instruments within the SAK was regulated under PSAK 50,
entitled, “Financial instruments: presentation,” which also
regulates presentation. PSAK 55, entitled, “Financial
instrument: recognition and remeasurement,” describes the
recognitions and measurements required. PSAK 60 is
entitled, “Financial instrument: disclosure.” In SAK, the
scope of financial instruments includes financial assets and
liabilities classified at fair value through profit or loss, held
to maturity, available for sale, loans and receivables. With

SAK ETAP, the scope of financial instruments is simpler,
including investments in certain securities traded (marketable
securities) available for sale and held to maturity. Significant
changes in the company's financial statements having
investments in subsidiaries are the existence of consolidation
procedures. Consolidation is accomplished via the merger of
the financial statement of each subsidiary entity in which the
company has significant equity participation and control.
Therefore, there are non-controlling interests in the
consolidated financial statements using SAK, whereas SAK
ETAP is not consolidated with subsidiaries.

From the literature study, changes were deciphered by
collecting the original data, which was then reprocessed to
obtain a comparison of financial statements when using SAK
ETAP compared to SAK, as shown in Table 1. After
implementing SAK, some of the company's balances changed.
Changes in balances of property, plant, and
equipment resulting from the capitalization of borrowing
costs consisted of interest expenses arising from bank loans.
The capitalization of borrowing costs also affected changes
in profit and loss balances, as presented in Table 2. Thus, the
company's retained earnings also changed. They also
recorded deferred tax assets as a result of the implementation
of PSAK 46, “Income tax.” Table 1 also shows the financial
statements after consolidation. The balance presented in the
consolidated financial statements is a combination of the
company's balance with its subsidiaries. Therefore,
investments in subsidiaries do not appear in the consolidated
statements, because they have been eliminated. Furthermore,
the balance of trade receivables owned by the subsidiaries
and the record of non-controlling interests are the
shareholders of the subsidiaries other than the parent entity,
appearing only in the consolidated statements.

From the results of PSAK implementation changes in
balances occurred, so that the financial performance of the
company, as reflected in the financial statements, was also
different. This difference can be understood by calculating
the financial ratios shown in Table 2. Table 3 presents the
results of financial ratio calculations before and after SAK
implementation.

<table>
<thead>
<tr>
<th>Accounts Description</th>
<th>Implementation of SAK ETAP</th>
<th>Implementation of SAK</th>
<th>Implementation of SAK (Consolidation)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(PT A)</td>
<td>(PT A–Single Entity)</td>
<td></td>
</tr>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash</td>
<td>567,313,445</td>
<td>567,313,445</td>
<td>5,434,762,899</td>
</tr>
<tr>
<td>Equivalent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade Receivables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Receivables</td>
<td>7,000,000</td>
<td>7,000,000</td>
<td>2,635,107,979</td>
</tr>
<tr>
<td>Prepaid Taxes</td>
<td>7,951,393,056</td>
<td>7,951,393,056</td>
<td>8,028,710,901</td>
</tr>
<tr>
<td>Due from Related</td>
<td>4,231,934,610</td>
<td>4,231,934,610</td>
<td>12,970,038,247</td>
</tr>
<tr>
<td>Parties – Non-Trade</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>12,886,018,239</td>
<td>12,886,018,239</td>
<td>41,378,549,627</td>
</tr>
</tbody>
</table>
### TABLE I. CONTINUE

<table>
<thead>
<tr>
<th>Assets Description</th>
<th>Investment in Subsidiaries</th>
<th>Property, Plant, and Equipment</th>
<th>Deferred Expenses</th>
<th>Deferred Tax Assets</th>
<th>Other Non-Current Financial Assets</th>
<th>Total Non-Current Assets</th>
<th>TOTAL ASSETS</th>
</tr>
</thead>
</table>

**LIABILITIES**

<table>
<thead>
<tr>
<th>Liabilities Description</th>
<th>Trade Payables</th>
<th>Tax Payables</th>
<th>Short-term Bank Loan</th>
<th>Total Current Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>15,370,438,272</td>
<td>6,940,820</td>
<td>11,174,705,422</td>
<td>26,552,084,514</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities Description</th>
<th>Due to Related Parties Non-Trade</th>
<th>Consumer Financing Liabilities</th>
<th>Bank Loan</th>
<th>Post-employment Benefits Liabilities</th>
<th>Total Non-Current Liabilities</th>
<th>TOTAL LIABILITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12,347,430,000</td>
<td>74,377,696</td>
<td>64,123,054,841</td>
<td>90,430,936</td>
<td>76,635,293,473</td>
<td>103,187,377,987</td>
</tr>
</tbody>
</table>

**EQUITY**

<table>
<thead>
<tr>
<th>EQUITY Description</th>
<th>Capital Stock</th>
<th>Additional Paid-in Capital</th>
<th>Retained Earning</th>
<th>Total Equity</th>
<th>Non-Controlling Interests</th>
<th>Total Equity</th>
<th>TOTAL LIABILITIES AND EQUITY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>34,906,383,005</td>
<td>19,766,616,995</td>
<td>(19,825,694,168)</td>
<td>34,849,305,832</td>
<td>6,784,625,442</td>
<td>57,707,650,439</td>
<td>138,036,683,819</td>
</tr>
</tbody>
</table>

### TABLE II. COMPARISON OF STATEMENTS OF PROFIT OR LOSS BETWEEN SAK ETAP AND SAK AND SAK AFTER CONSOLIDATION

<table>
<thead>
<tr>
<th>Accounts Description</th>
<th>Implementation of SAK ETAP</th>
<th>Implementation of SAK</th>
<th>Implementation of SAK After Consolidation</th>
</tr>
</thead>
<tbody>
<tr>
<td>PT A</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>44,947,305,945</td>
<td>60,783,883,732</td>
<td></td>
</tr>
<tr>
<td>Cost of Revenues</td>
<td>(35,818,369,473)</td>
<td>(45,277,359,335)</td>
<td></td>
</tr>
<tr>
<td>Gross Profit</td>
<td>9,128,936,472</td>
<td>15,506,524,397</td>
<td></td>
</tr>
<tr>
<td>Selling Expenses</td>
<td>(601,015,812)</td>
<td>(759,341,920)</td>
<td></td>
</tr>
<tr>
<td>General and Administration Expenses</td>
<td>(4,460,634,682)</td>
<td>(9,653,096,836)</td>
<td></td>
</tr>
<tr>
<td>Other Income</td>
<td>1,411,659,766</td>
<td>657,445,864</td>
<td></td>
</tr>
<tr>
<td>Other Expenses</td>
<td>(7,923,356,724)</td>
<td>(384,896,460)</td>
<td></td>
</tr>
<tr>
<td>Profit Before Tax</td>
<td>(2,444,410,980)</td>
<td>5,144,419,236</td>
<td>5,366,635,045</td>
</tr>
<tr>
<td>Deferred Tax Benefit</td>
<td></td>
<td>-</td>
<td>10,719,114</td>
</tr>
<tr>
<td>Profit for the Year</td>
<td>(2,444,410,980)</td>
<td>5,155,138,350</td>
<td>5,419,408,134</td>
</tr>
</tbody>
</table>

### TABLE III. COMPARISON OF FINANCIAL RATIOS

<table>
<thead>
<tr>
<th>Description</th>
<th>SAK ETAP</th>
<th>SAK</th>
<th>After Consolidation</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA (%)</td>
<td>-1.77</td>
<td>3.38</td>
<td>3.29</td>
</tr>
<tr>
<td>Net income</td>
<td>(2,444,410,980)</td>
<td>5,155,138,350</td>
<td>5,419,408,134</td>
</tr>
<tr>
<td>Total asset</td>
<td>138,036,683,819</td>
<td>152,637,193,053</td>
<td>164,910,029,174</td>
</tr>
<tr>
<td>ROE (%)</td>
<td>-7.01</td>
<td>10.42</td>
<td>9.39</td>
</tr>
<tr>
<td>Net income</td>
<td>(2,444,410,980)</td>
<td>5,155,138,350</td>
<td>5,419,408,134</td>
</tr>
<tr>
<td>Total equity</td>
<td>34,849,305,832</td>
<td>49,449,815,067</td>
<td>57,707,650,439</td>
</tr>
<tr>
<td>Debt to Asset (%)</td>
<td>74.75</td>
<td>67.60</td>
<td>65.01</td>
</tr>
<tr>
<td>Total asset</td>
<td>138,036,683,819</td>
<td>152,637,193,053</td>
<td>164,910,029,174</td>
</tr>
<tr>
<td>Debt-to-Equity (%)</td>
<td>296.10</td>
<td>208.67</td>
<td>185.77</td>
</tr>
<tr>
<td>Total Equity</td>
<td>34,849,305,832</td>
<td>49,449,815,067</td>
<td>57,707,650,439</td>
</tr>
<tr>
<td>Gross profit margin</td>
<td>20.31</td>
<td>20.31</td>
<td>25.51</td>
</tr>
<tr>
<td>Gross profit</td>
<td>9,128,936,472</td>
<td>15,506,524,396</td>
<td>15,506,524,396</td>
</tr>
<tr>
<td>Revenue</td>
<td>44,947,305,945</td>
<td>60,783,883,732</td>
<td>60,783,883,732</td>
</tr>
<tr>
<td>Operating profit margin</td>
<td>-5.44</td>
<td>11.45</td>
<td>8.83</td>
</tr>
<tr>
<td>Profit Before Tax</td>
<td>(2,444,410,980)</td>
<td>5,144,419,236</td>
<td>5,366,635,044.6</td>
</tr>
<tr>
<td>Revenue</td>
<td>44,947,305,945</td>
<td>60,783,883,732</td>
<td>60,783,883,732</td>
</tr>
<tr>
<td>Net profit margin</td>
<td>-5.4</td>
<td>11.5</td>
<td>8.9</td>
</tr>
</tbody>
</table>
Return on assets (ROA) is a ratio describing how efficient a company is when using assets to generate profits. The higher the ROA, the better the company generates profit. After SAK implementation, the company’s ROA was better than before. Return on equity (ROE) is a ratio measuring the efficiency of generating profit without needing much capital. The higher the ratio, the better the efficiency. PT A’s ROE was higher after implementation of SAK. Debt-to-assets is a ratio describing the percentage of total assets financed by liabilities. A higher ratio indicates the company has increased risk. PT A’s ratio was lower after implementing the SAK. Debt-to-equity is a ratio describing how much debt the company uses to financing operations. The higher the ratio, the riskier the enterprise. The company’s ratio was lower after implementing the SAK.

Profit margin describes how much profit a company earned from sales generated. The greater the margin, the greater the profits earned. The margin ratio generated by the company after implementing IFRS provided a better picture of company performance compared to before. The company’s financial ratio was better after implementing SAK, especially in terms of the ratio related to profit and loss. This is caused by the capitalization of borrowing costs. The consolidated financial ratios also give good descriptions of the company’s performance.

V. CONCLUSION

This study evaluated the changes in accounting standards from SAK ETAP to SAK for PT A, our case study. The evaluation demonstrated the fundamental differences in accounting treatments from SAK ETAP to SAK. Presentation of comprehensive income and terms are slightly different for the financial statements, requiring retrospective restatement, consolidation, recognition of deferred taxes, classification of financial assets and liabilities, disclosure of financial risk management, and cash-flow statements using the direct method. The figures of financial position and profit and loss were adjusted because of changes in accounting standards, resulting in increased profits and a tendency of improved financial ratios. This contradicts several hypotheses tested in other studies, which stated that companies that implemented changes in accounting policies tended to encounter income smoothing [7]. Intention management is related to changing accounting standards, depending on circumstances, either because of mandatory requirements or earning management is possible.

In the future, this research should be expanded to compare other standard financial accounting pillars in Indonesia, such as SAK EMKM with SAK ETAP or SAK EMKM with SAK. Further research is also needed to compare and analyze costs occurring and the economy impact related to the adoption of changes in accounting standards.

ACKNOWLEDGMENT

Participating in the University of Indonesia MAKSI program has been a period of intense learning for me, not only on an academic level, but also on a personal level. I would like to acknowledge the people who have supported and helped me throughout this period.

I would first like to thank my mentor and as the second writer in this paper, Kurnia Irwansyah Rais, M.Ak. I am grateful for his guidance, mentorship and patience while this period for doing research. I would also like to thank to Dr. Gede Harja Wasistha as chairman of University of Indonesia MAKSI PPAK program. Finally, I would like to thank my parents who have provided support and affection so far.

REFERENCES