

SHARING SESSION SAK TERKINI

PSAK Update

Selasa, 30 November 2021

Budi Susanto
Ketua Tim Implementasi SAK
Ikatan Akuntan Indonesia
(TISAK IAI)

Disclaimer

This presentation is prepared as a material for discussion of related issues and does not represent TISAK IAI's position on this issue. The position of the TISAK IAI is only determined after going through due process procedure and discussion process as required by IAI.

Objectives

Provide overview of new standard, various amendments and annual improvements to SAK which will be effective from 1 January 2021 onwards

New/amended PSAKs effective from 1-Jan-21 onwards (1/2)

	Reference	Effective dates				
		2021	2022	2023	2024	2025
New standards, amendments, annual improvements						
PSAK 74 Insurance Contracts	IFRS 17					✓
Amendments to PSAK 22 - Definition of Business	Amendments to IFRS 3	✓				
Amendments to PSAK 71, PSAK 55, PSAK 60, PSAK 62, PSAK 73 - Interest Rate Benchmark Reform – Phase 2	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16	✓				
Amendments to PSAK 73 - COVID-19-Related Rent Concessions beyond 30 June 2021	Amendments to IFRS 16	✓				
Amendments to PSAK 57 - Onerous Contracts – Cost of Fulfilling a Contract	Amendments to IAS 37		✓			
Amendments to PSAK 16 - Property, Plant and Equipment: Proceeds before Intended Use	Amendments to IAS 16			✓		
Amendments to PSAK 1 - Classification of Liabilities as Current or Non-current	Amendments to IAS 1			✓		

New/amended PSAKs effective from 1-Jan-21 onwards (2/2)

	Reference	Effective dates				
		2021	2022	2023	2024	2025
New standards, amendments, annual improvements						
Annual Improvements 2020 (PSAK 69, PSAK 71, PSAK 73)	Annual Improvements to IFRS Cycle 2018-2020		✓			
Amendments to PSAK 22 - Reference to the Conceptual Framework	Amendments to IFRS 3		✓			
Amendments to PSAK 1 - Disclosure of Accounting Policies	Amendments to IAS 1			✓		
Amendments to PSAK 25 - Definition of Accounting Estimate	Amendments to IAS 8			✓		
SAK for Private Entities ("SAK EP") #	IFRS for SME effective for 1-Jan-15					✓

#covered in the next session.



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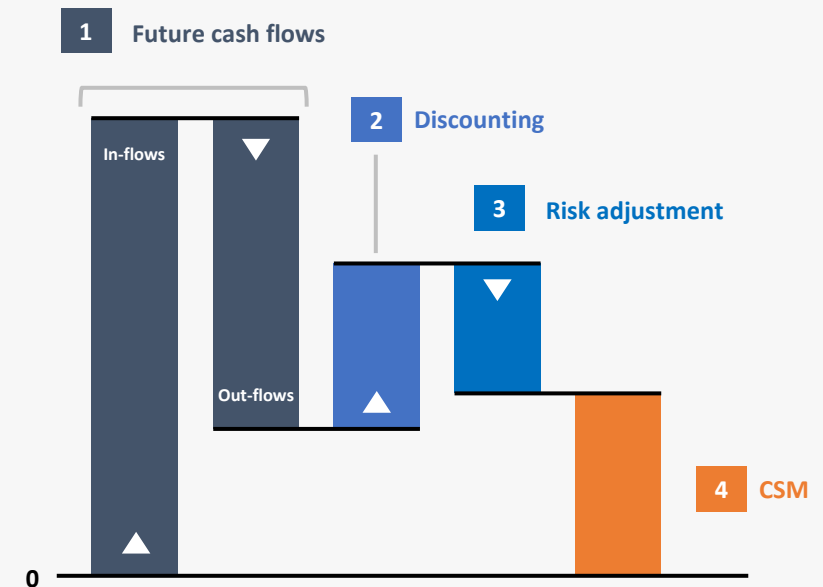
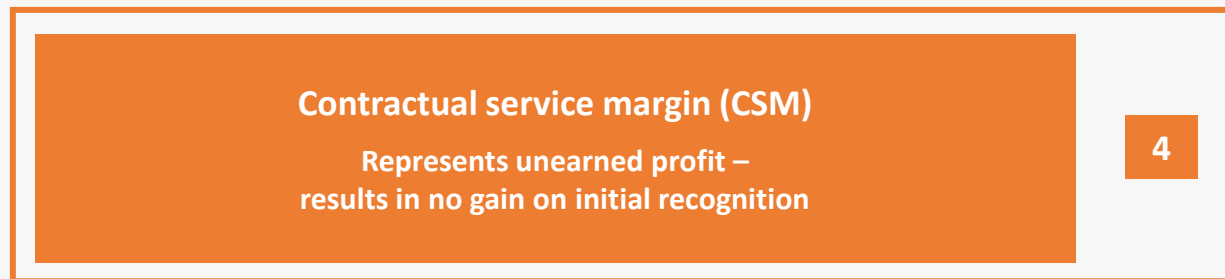
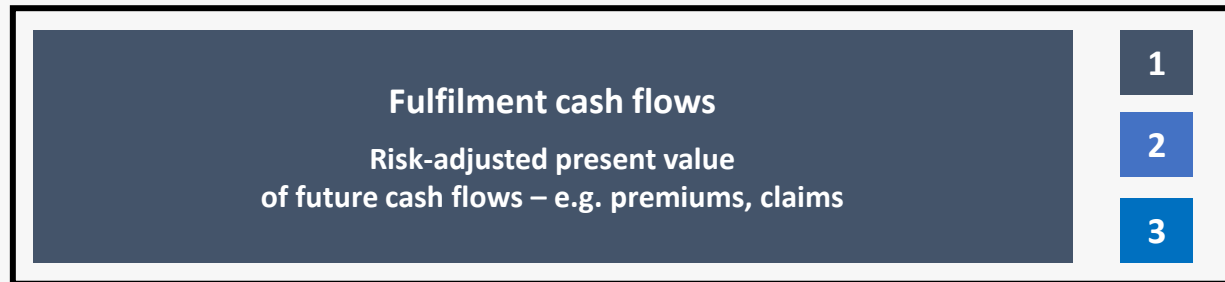
PSAK 74 – *Insurance Contracts*

A new, comprehensive accounting model

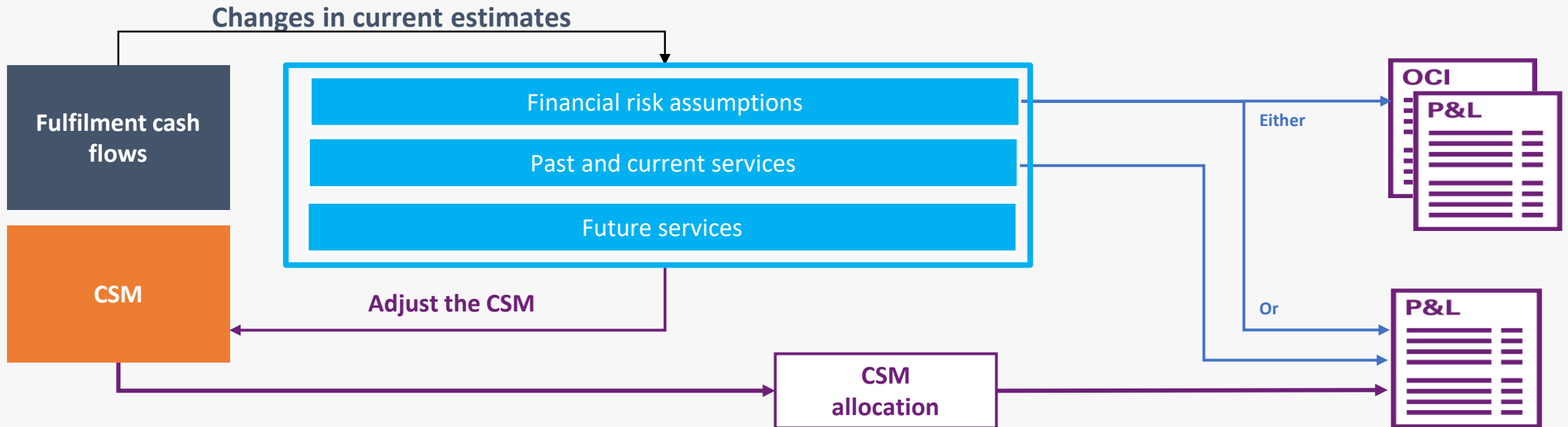
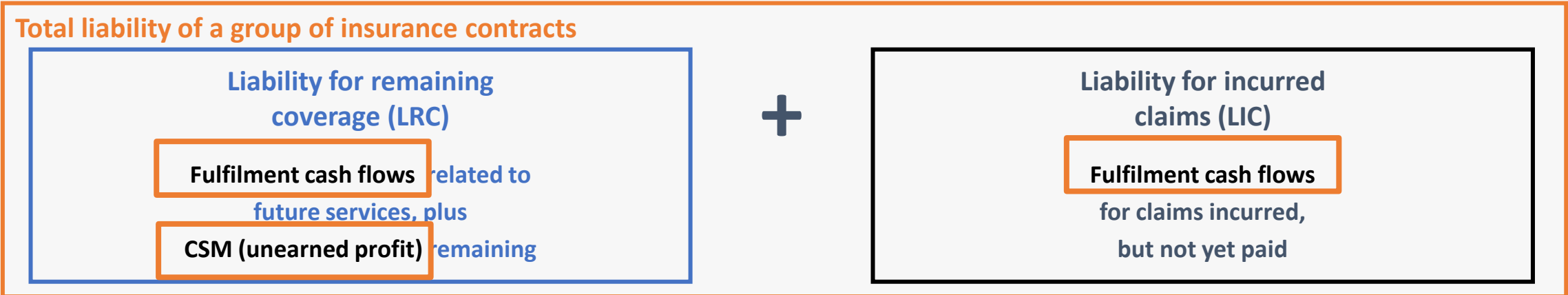
- PSAK 74's **general measurement model** (GMM) is based on a fulfilment objective and uses current assumptions
- It introduces a **single, revenue recognition principle** to reflect services provided
- And is **modified** for certain contracts

Initial recognition

Key components



Subsequent measurement



Recognising insurance revenue

Insurance revenue is derived from the **changes in the LRC** for each reporting period, covering...

Expected insurance claims and expenses

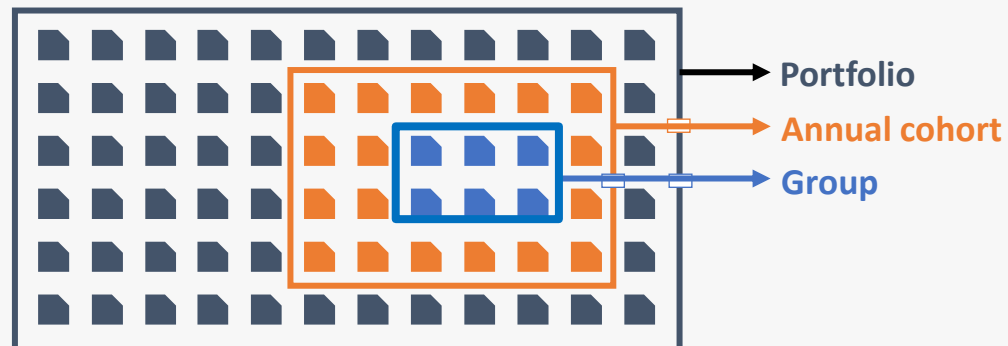
Risk adjustment

CSM allocation

Acquisition cash flows

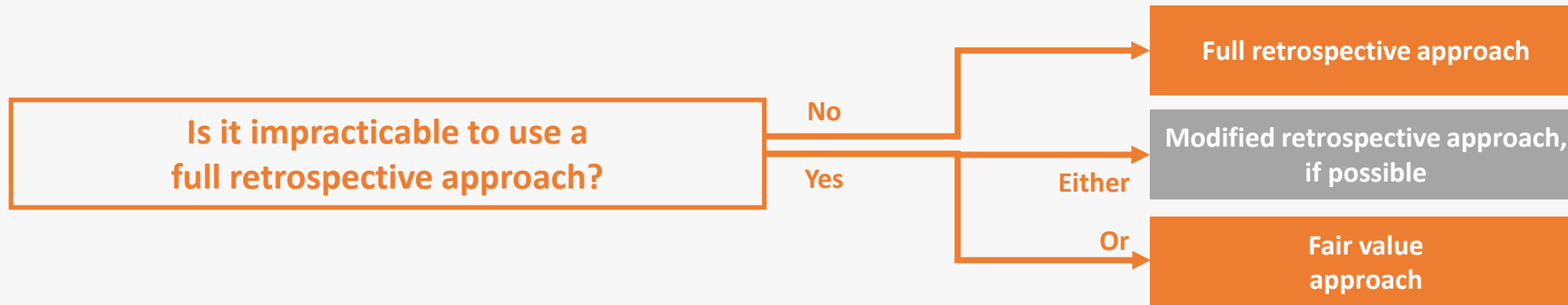
These items represent a company's consideration for providing services

The **CSM** is determined for **groups** of insurance contracts

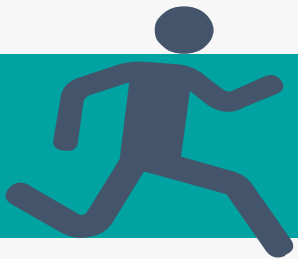


PSAK 74 limits offsetting of onerous contracts against profitable ones

Full retrospective is required, but **expedients can be used**



A company can apply **different approaches for different groups**

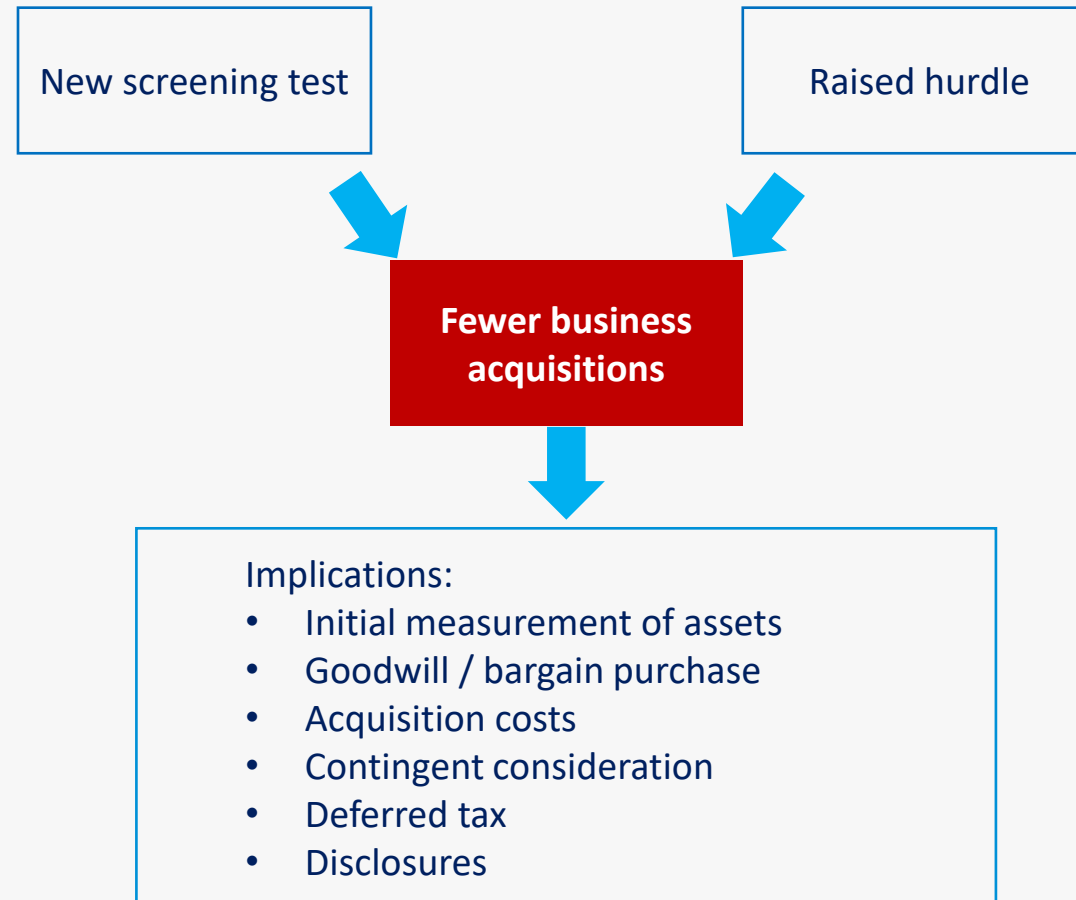


Effective for annual periods beginning on or after 1 January 2025, with early application permitted.

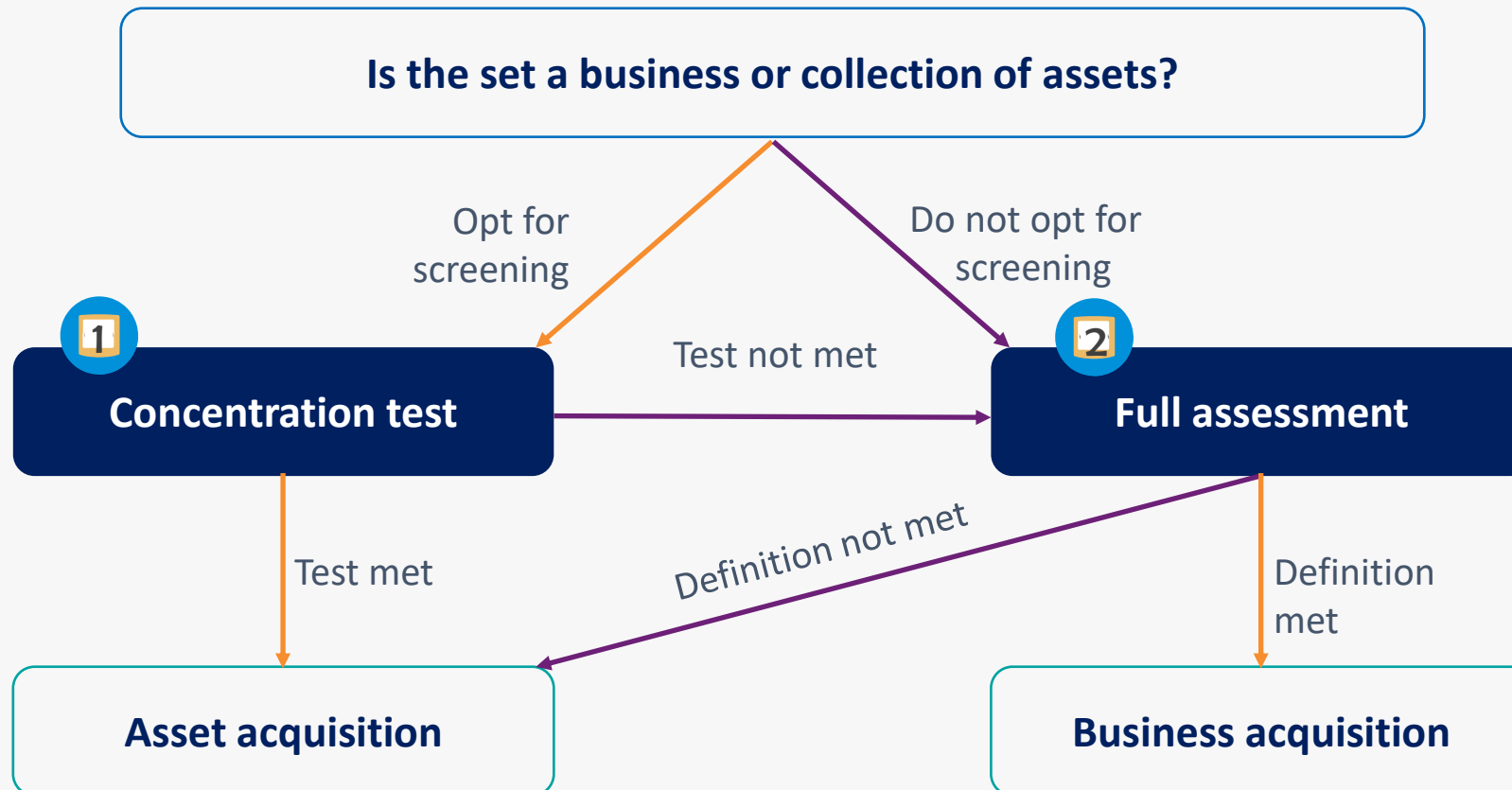


Amendments to PSAK 22 – *Definition of Business*

Background



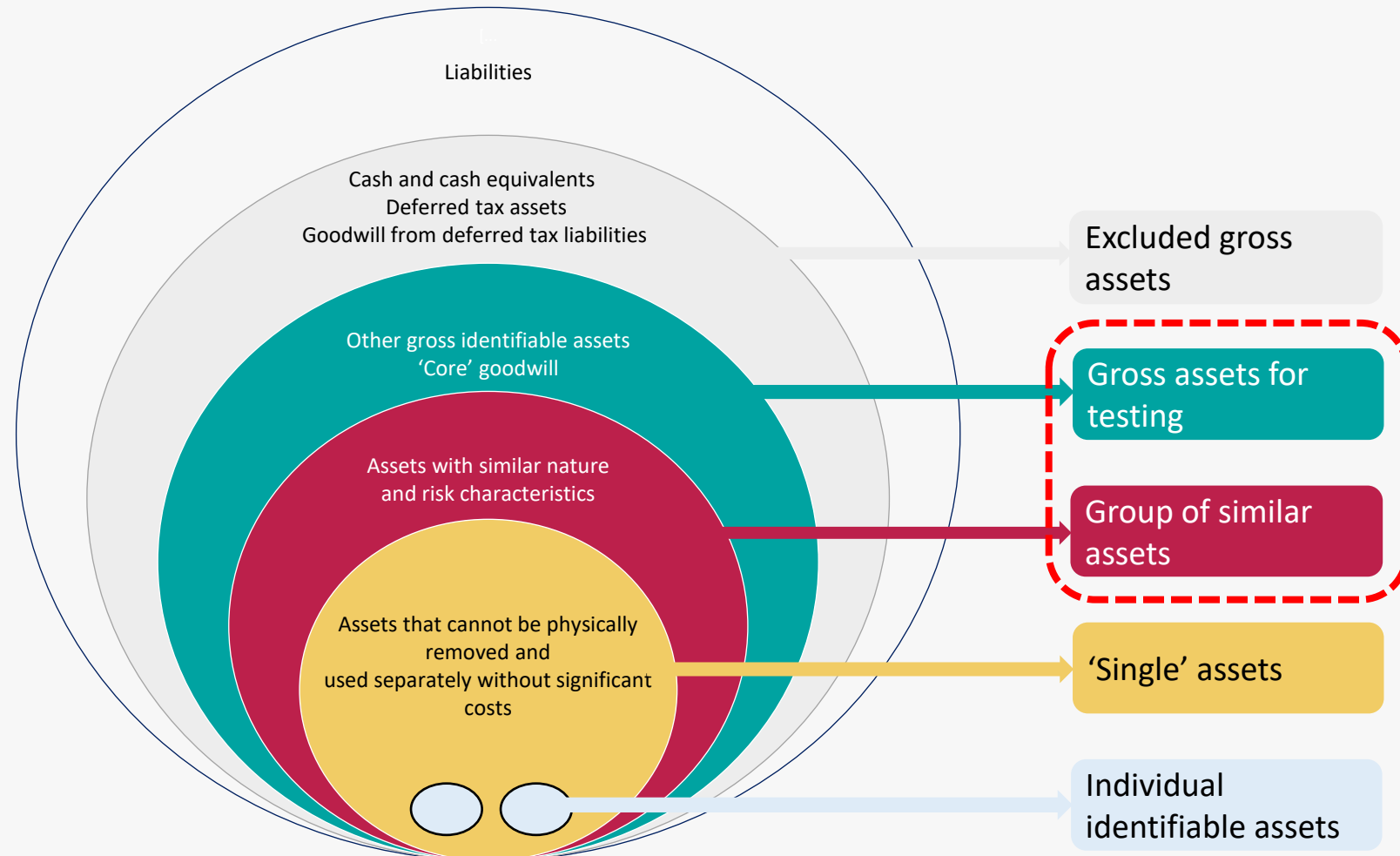
Definition of a business – Overall view



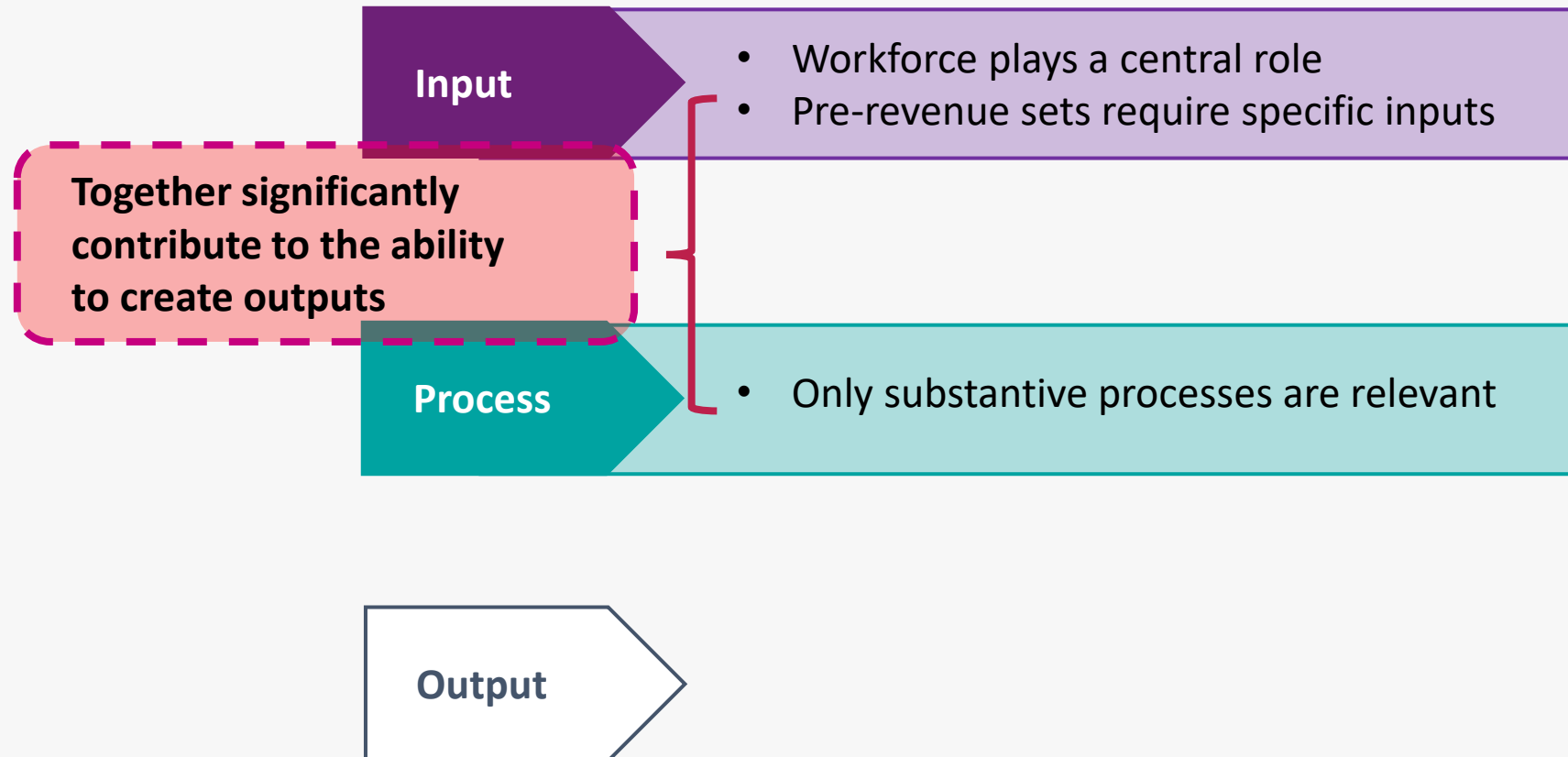


Optional test: Concentration test (simplified assessment)

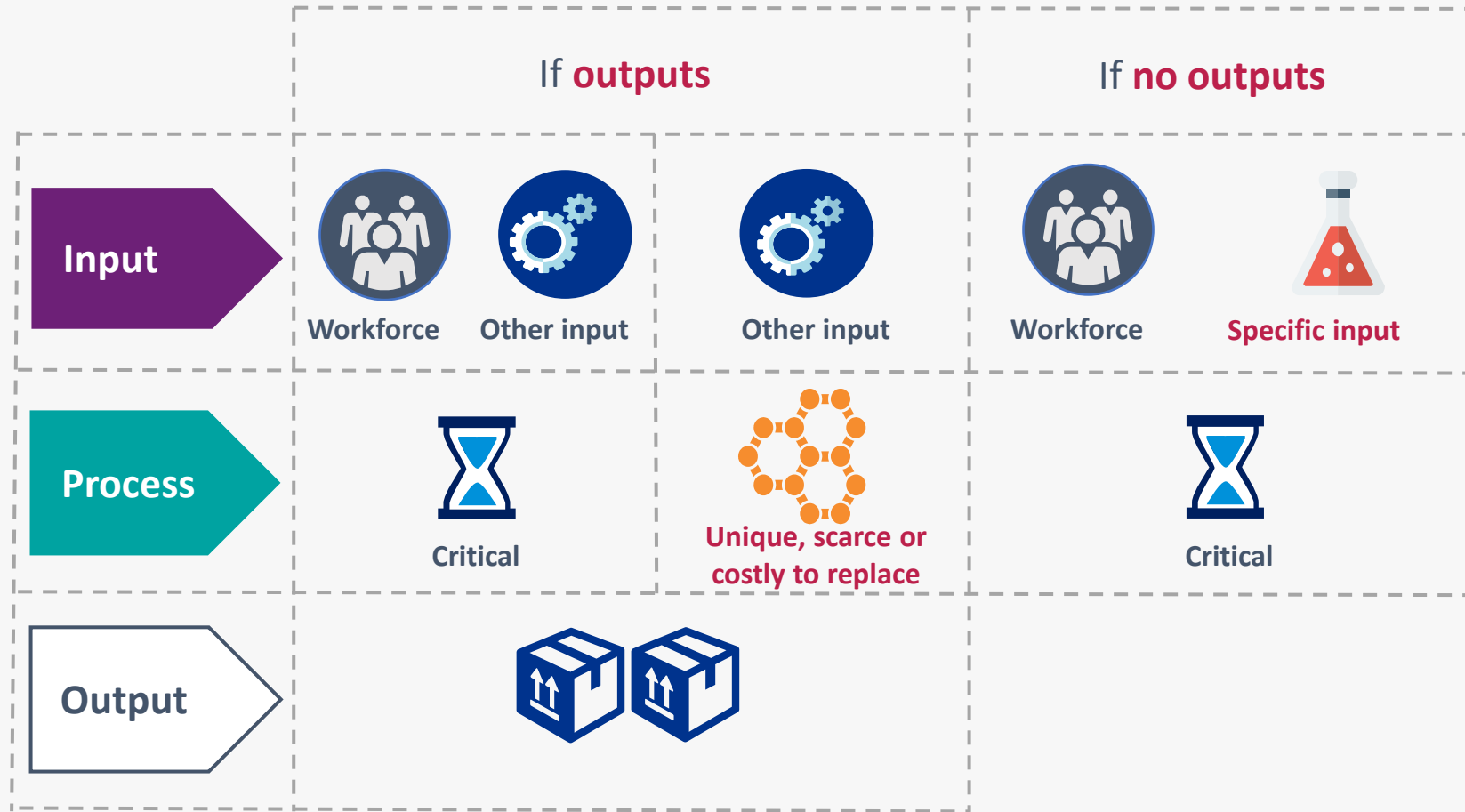
Is substantially all of FV of gross assets concentrated in a single (group of similar) asset(s)?



Full assessment - Elements of a business (revised definitions)



Elements of a business – new framework



Effective date and transition

- Effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2021 and to asset acquisitions that occur on or after the beginning of that period.
- Early adoption is permitted.

Amendments to PSAK 71, PSAK 55, PSAK 60, PSAK 62, PSAK 73 - *Interest Rate Benchmark Reform – Phase 2*



IBOR Phase 2 Amendments issued in December 2020

Reforms of interest rate benchmarks, including the replacement of interest rate benchmarks **with alternative benchmark rates (ABRs)** are expected to be mostly complete **by the end of 2021**.



Practical
expedients for
changes in
contractual cash
flows

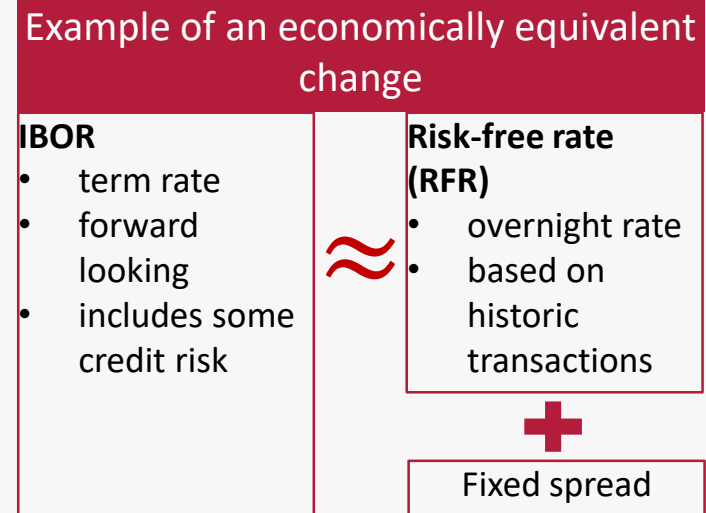
Additional reliefs
for hedging
relationships

New disclosures

Practical expedient for changes to contractual cash flows

Update effective interest rate to account for a change required by the reform to the contractual cash flows

- Practical expedient applies to a change in the **basis for determining the contractual cash flows**
- A change is required by the reform only if:
 - it is necessary as a direct consequence of the reform; and
 - the new basis is economically equivalent to the previous
- Apply PSAK 71 requirements to any other changes made at the same time
- Equivalent amendments made to PSAK 62 and PSAK 73



Hedge accounting



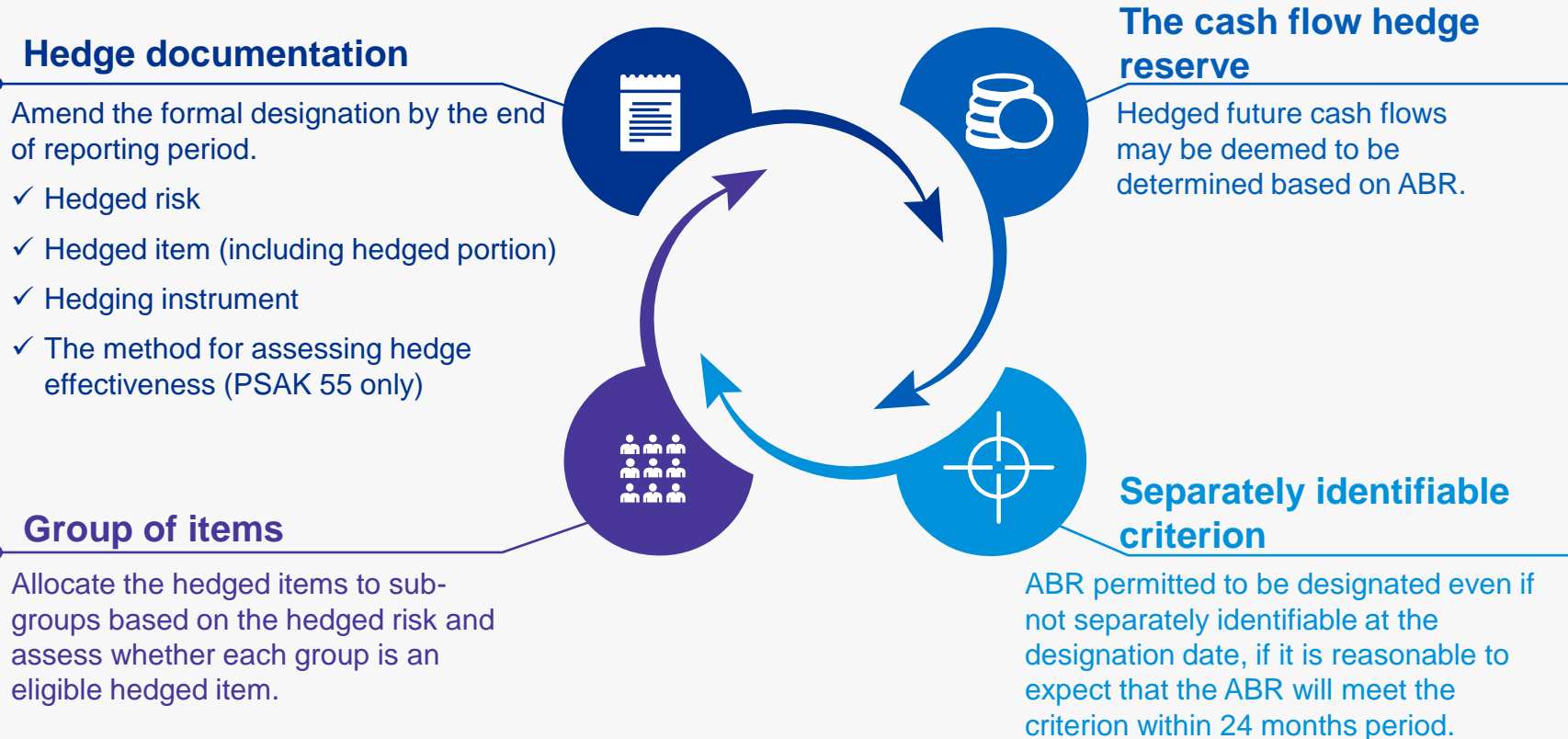
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Prakarsa
6.1

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Phase 2 provides some reliefs from discontinuing existing hedge relationships that are directly affected by IBOR reform because of a change required by the reform and that are executed on an economically equivalent basis.



However, no exceptions to the measurement requirements.

Any hedge ineffectiveness will be recognised in profit or loss.



Effective date and transition



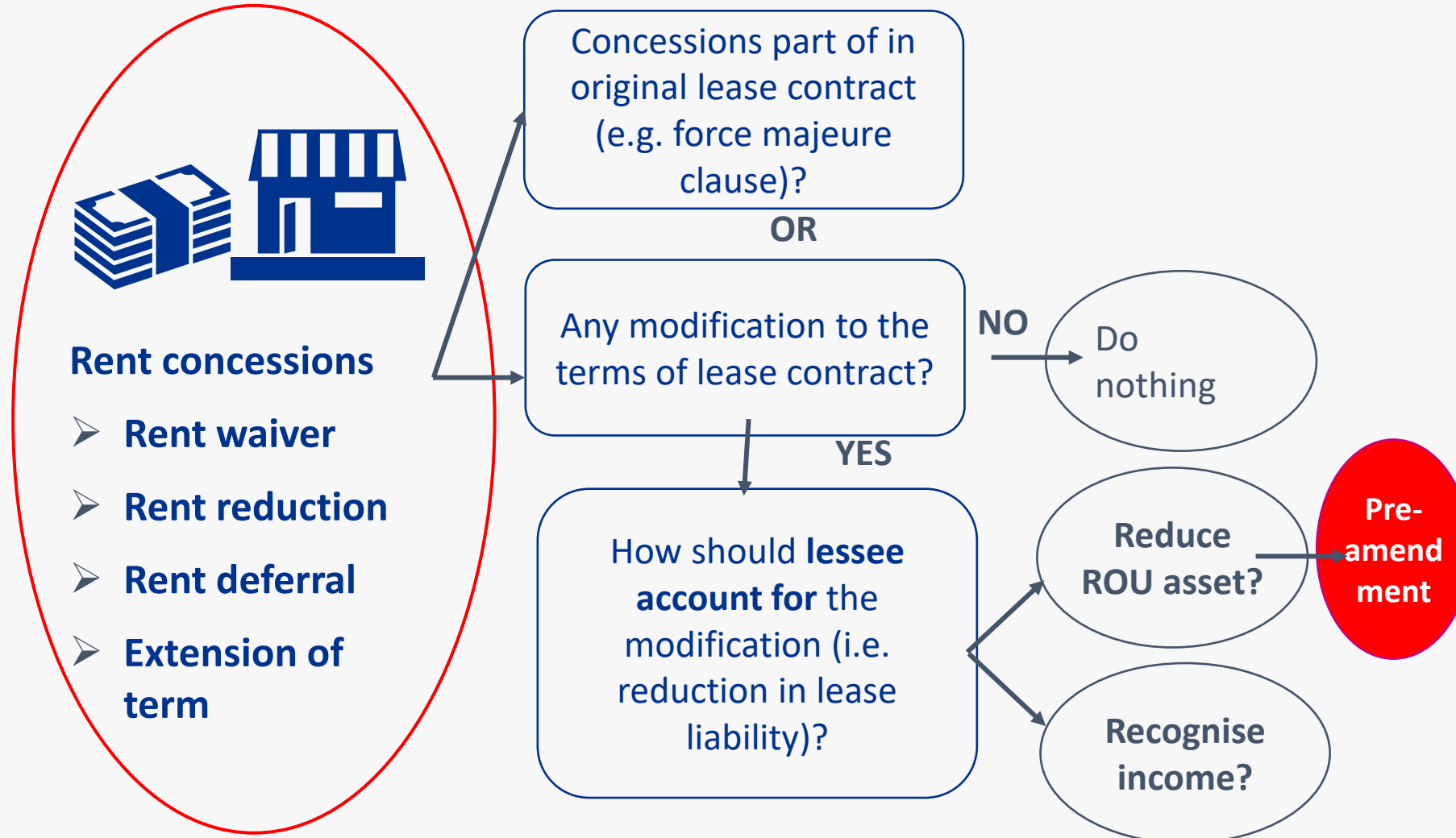
Effective for annual periods beginning on or after 1 January 2021, with early application permitted.



- Amendments apply retrospectively, restatement of comparative information not required
- However, a company is required to reinstate a discontinued hedging relationship if, and only if, the hedging relationship:
 - was discontinued solely due to changes required by the reform; and
 - meets all qualifying criteria for hedge accounting when reinstated

Amendments to PSAK 73 - *COVID-19-Related Rent Concessions beyond 30 June 2021*

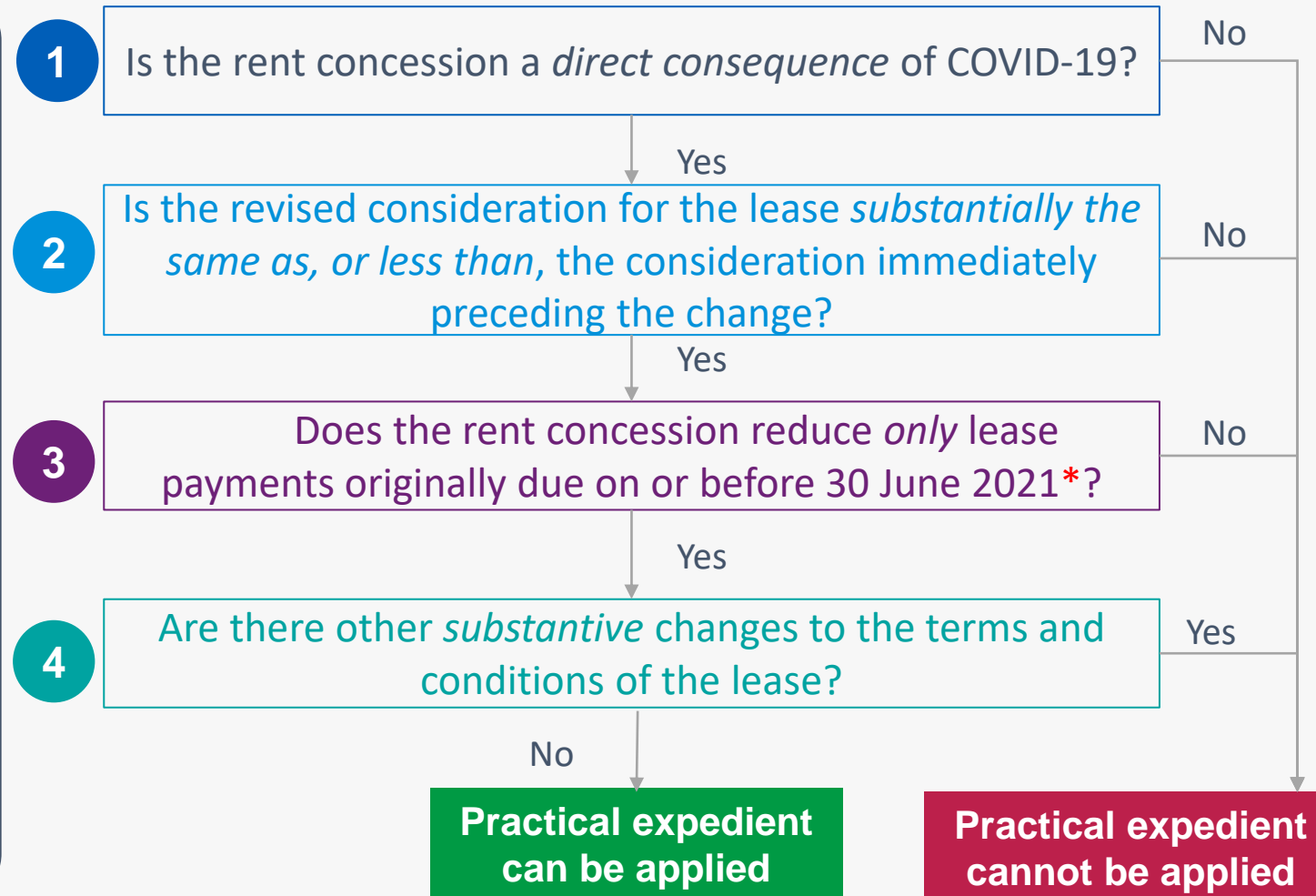
Leases – rent concessions



Scope of the practical expedient

Lessees only:

- As an **optional** practical expedient.
- If applied, **reduce liability (Dr) and recognise income (Cr)**



*Recently is amended up to **30 June 2022**.

Amendments to PSAK 1 - *Classification of Liabilities as Current or Non-current*

Classification of Liabilities as Current or Non-Current (1/4)

An entity shall classify a liability as current when it meets one of the following conditions

It expects to settle the liability in its normal operating cycle

It holds the liability primarily for the purpose of trading

The liability is due to be settled within 12 months after the reporting period

It does not have the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period

Amended

The amendments are to be applied from 1 January 2023 retrospectively in accordance with PSAK 25.
Earlier application is permitted.

Classification of Liabilities as Current or Non-Current (2/4)

Right at the end of the reporting period to defer settlement for at least 12 months

Substance & existence

An entity's right to defer settlement of a liability for at least 12 months after the reporting period must have substance and must exist at the end of the reporting period.

Right subject to conditions

If the right to defer settlement is subject to the entity complying with specified conditions, the right exists at the end of the reporting period only if the entity complies with those conditions at the end of the reporting period.

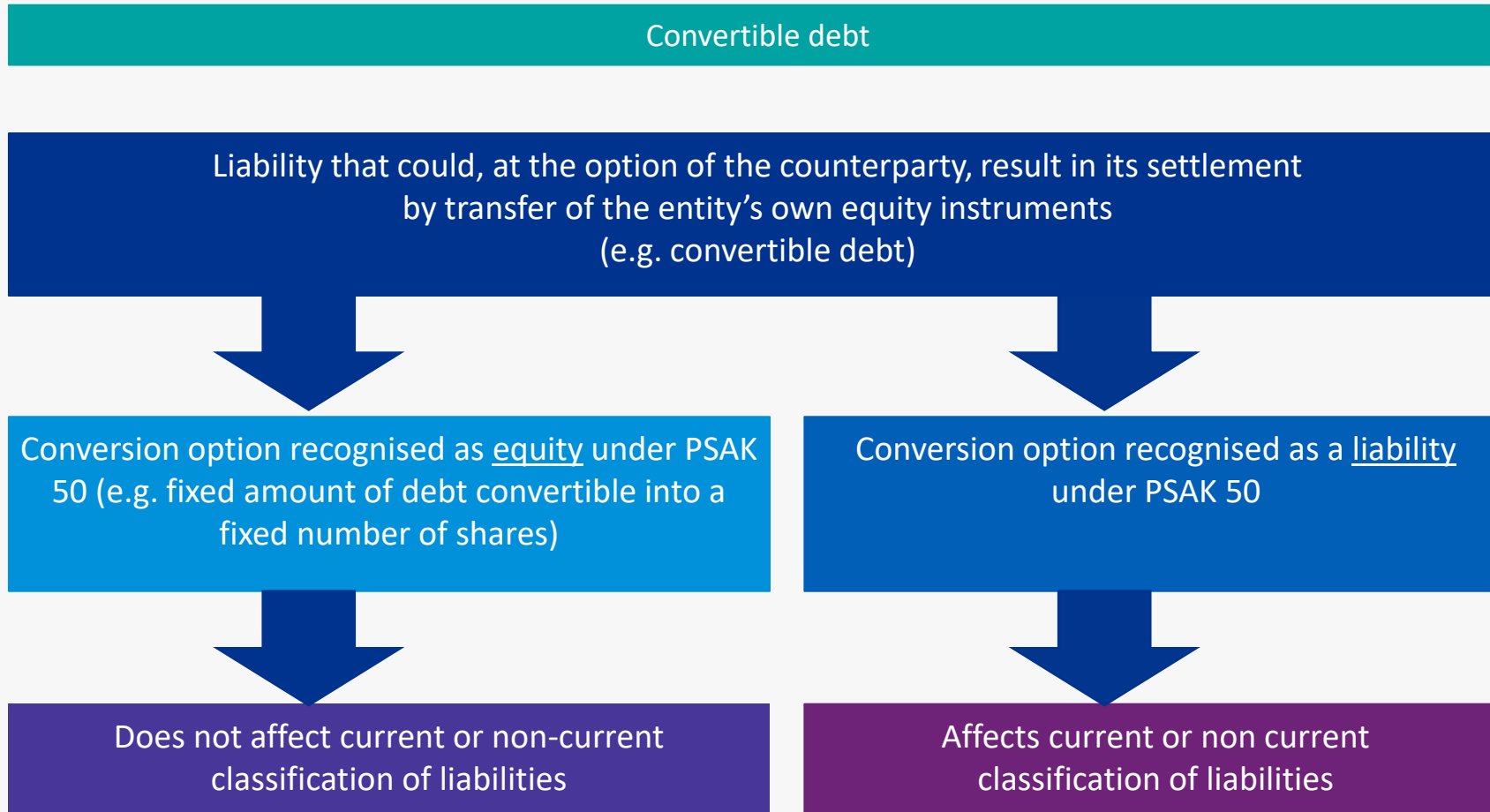
Compliance with conditions

The entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

Likelihood of exercise

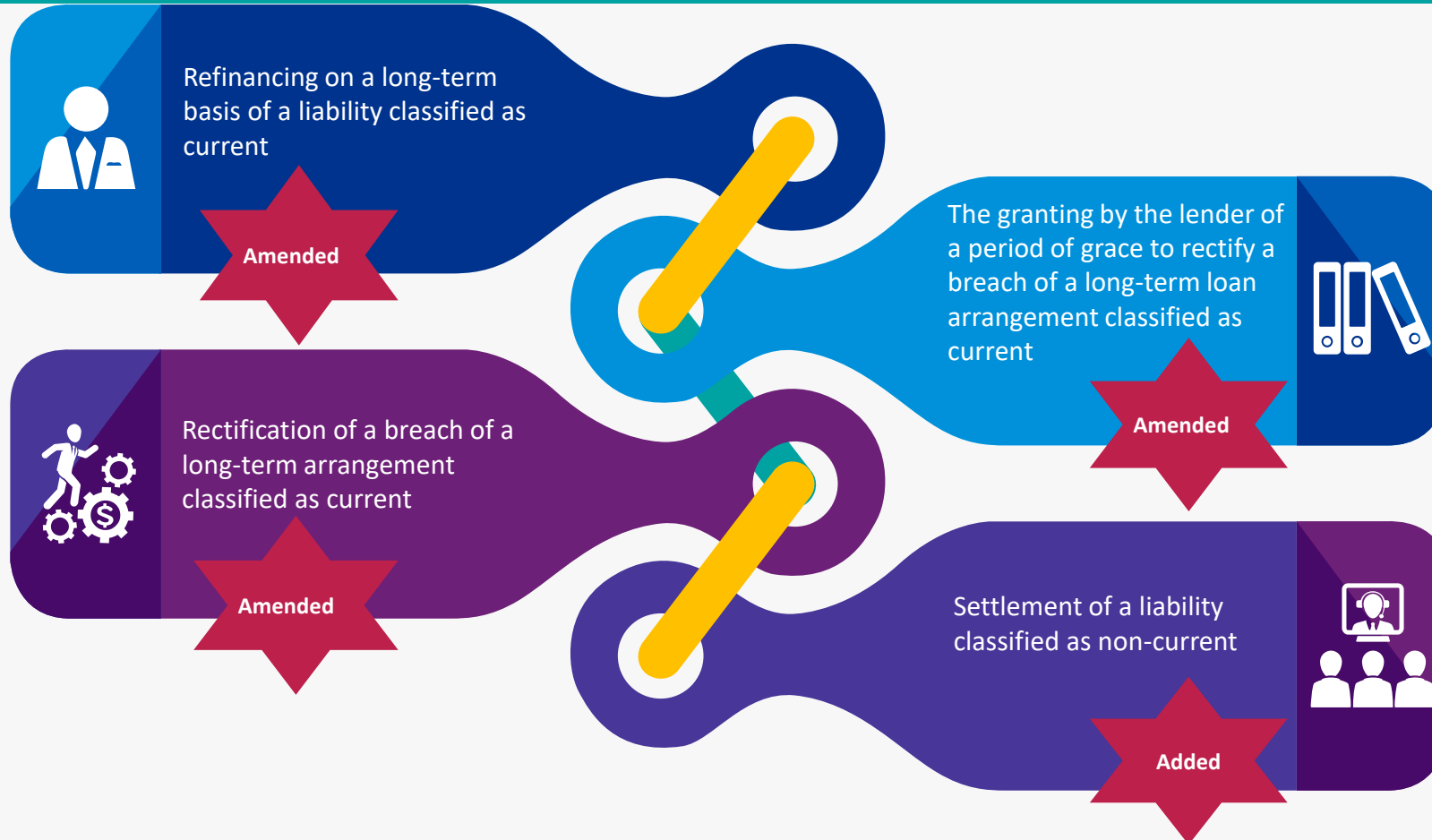
Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least 12 months after the reporting period

Classification of Liabilities as Current or Non-Current (3/4)



Classification of Liabilities as Current or Non-Current (4/4)

If the following events occur between the end of the reporting period and the date the financial statements are authorised for issue, those events are disclosed as non-adjusting events in accordance with PSAK 8



Amendments to PSAK 57 - *Onerous Contracts – Cost of Fulfilling a Contract*

Brief summary

Identified problem

Diverse views on which costs to include in the cost of fulfilling a contract when assessing whether a contract is onerous

The amendments

Specify that when assessing whether a contract is onerous, the cost of fulfilling the contract comprises those costs that **relate directly** to the contract. This includes both:

- the **incremental costs**; and
- an **allocation of other costs** that relate directly to contract activities

Effective date

Annual reporting periods beginning on or after 1 January 2022

Assessing if a contract is onerous



Key points



- This clarification is **unlikely to affect** companies that already apply the **'full cost' approach**, but those that apply the **'incremental cost' approach** will need to recognise bigger and **potentially more provisions**.
- **Earlier application** is permitted.
- At the **date of initial application**, the **cumulative effect** of applying the amendments is recognised as an **opening balance adjustment to retained earnings** or other component of equity, as appropriate. **The comparatives are not restated**.

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

Brief summary - Amendments to PSAK 16

Identified problem

Diversity in reporting the proceeds from selling items before an item of PPE is available for use

The amendments

- Prohibit deducting sales proceeds from the cost of an item of PPE
- Require a company to recognise any such proceeds (and related costs) in profit or loss in accordance with applicable PSAKs

Other requirements

- Measurement of the costs of items produced and sold in accordance with PSAK 14 *Inventories*
- Specific disclosures for proceeds and costs when the sale of items is not part of a company's ordinary activities
- Definition of testing activities— assessment of the technical and physical performance of the asset only (not financial performance)

Effective date

Annual reporting periods beginning on or after 1 January 2023

Amendments to PSAK 16 – Transition

Transition



- The amendments apply for annual reporting periods beginning on or after 1 January 2023.
- **Earlier application** is permitted.
- The amendments apply **retrospectively**, but **only to items of PPE made available for use on or after the beginning of the earliest period** presented in the financial statements in which the company first applies the amendments.



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Annual Improvements to SAK - 2020

Annual Improvements to SAK - 2020

Relevant PSAKs

PSAK 69 *Biological Assets*

PSAK 71 *Financial Instruments*

PSAK 73 *Leases*

Issues

Taxation in fair value measurements

Align the fair value measurement requirements in PSAK 69 with those in other PSAKs

Fees in the 10% test for derecognition of financial liabilities

Clarify the fees a company includes in assessing the terms of a new or modified financial liability for determining whether to derecognise a financial liability

Lease Incentives

Remove potential for confusion regarding lease incentives by amending Illustrative Example 13

Effective date

Annual reporting periods beginning on or after 1 January 2022

Amendments to PSAK 22 - *Reference to the Conceptual Framework*

Brief summary

Identified problem

- PSAK 22 *Business Combinations* referred to an old version of the Conceptual Framework
- PSAK 22 requires acquirers of businesses to recognise at acquisition date items meeting Conceptual Framework definitions of assets and liabilities

The amendments

- Replace reference to old version of Conceptual Framework with reference to revised version issued in 2019
- Prevent increase in liabilities recognised by adding exception for liabilities in scope of PSAK 57 *Provisions, Contingent Liabilities or Contingent Assets* or ISAK 30 *Levies*

Overall impact  **No change** to the requirements of PSAK 22

Effective date Annual reporting periods beginning on or after 1 January 2022

Amendments to PSAK 1 -
Disclosure of Accounting Policies

Amendments to PSAK 25 -
Definition of Accounting Estimate

Amendments to PSAK 1 - *Disclosure of Accounting Policies*

Identified problem

- Users say that accounting policy disclosures today are often not useful
- Stakeholders' views differ about 'significant' accounting policies required by PSAK 1 *Presentation of Financial Statements*

The amendments

- Amend PSAK 1 to require companies to disclose their material accounting policy information rather than their significant accounting policies
- Clarify that not all accounting policy information that relate to material transactions, other events or conditions is material to the financial statements
- Add examples on how to apply the materiality process to identify material accounting policy information

Effective date

Annual reporting periods beginning on or after 1 January 2023



Amendments to PSAK 25 - *Definition of Accounting Estimate*

Identified problem

- Companies can find it difficult to distinguish between a change in accounting policy and a change in accounting estimate, especially when it relates to a change in a measurement method

The amendments

- Introduce a definition of 'accounting estimates'
- Provide clarifications, such as:
 - estimation techniques and valuation techniques are examples of measurement techniques used to develop accounting estimates
 - a change in accounting estimate that results from new information or new developments is not the correction of an error

Effective date

Annual reporting periods beginning on or after 1 January 2023

What questions do you have?



Terima Kasih



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