

UNDERSTANDING OF ACCOUNTING STANDARDS IN INDONESIA

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Abstract

Accounting standards are an agreement in terms of preparing financial statements. The development of accounting standards in Indonesia continues to increase so that currently there are several kinds of standards for preparing financial statements. The purpose of this study is to understand about Accounting Standards, provide a description of Accounting Standards in Indonesia as well as explain the types of Accounting Standards in Indonesia. The research uses a literature review method in which researchers look for data sources from several university repositories as well as national and international journals. Based on the study conducted, in Indonesia there are 5 types of Accounting Standards in the preparation of financial statements, each of which has its own purpose in its preparation.

Keywords: accounting standard, SAK, financial statements

1. Introduction

Accounting is a service activity that has the intention of providing information that can be used in making economic decisions (Dewi & Dewi, 2019). Each country has its own accounting rules and regulations which may differ from country to country (Smart Inyang et al., 2020) As a result, this limits companies from carrying out their business activities globally (Bulutoding et al., 2020). Therefore, it is necessary to harmonize accounting standards in order to provide relevant information for global stakeholders.

As the world is becoming more globalized, there is a need for a set of accounting standards that are understood worldwide. Obviously, creating international harmonization will benefit companies, investors and national governments. For example, reduced costs when setting up sets of accounts, reduced risk of uncertainty and misunderstanding, comparability between companies and subsidiaries, less need for investors to learn different accounting standards (Handoyo, n.d.)

The mantle of responsibility for developing accounting standards has fallen on the International Accounting Standards Board (IASB) and country-specific regulators, such as the Financial Accounting Standards Board (FASB) in the United States and the China Accounting Standards Committee in China. They take responsibility seriously (Penman, 2019).

The International Accounting Standards Board (IASB) was formed in 2001 as the successor to the International Accounting Standards Committee (IASC), which was established to formulate and issue, in the public interest, International Accounting Standards (IAS) to be observed in the presentation of published financial statements and to promote acceptance and compliance worldwide. The International Accounting Standards Board (IASB) is responsible for establishing, monitoring and providing an acceptable interpretation of the provisions of International Financial Reporting Standards (SAK).

Postulates, assumptions, principles, principles, rules, laws, and theories, are the basis of accounting practice. The treatment of income, expenses, assets and liabilities, must comply with normal accounting standards. Otherwise, there will be no basis of truth and justice in the financial statements (Unegbu, 2018).

Based on the description above and seeing the importance of accounting standards, therefore the formulation of the problem in this study is:

1. What are Accounting Standards?
2. How to implement of Accounting Standards in Indonesia?
3. What are the accounting standards that exist in Indonesia?

So, the purpose of this study is to find out about accounting standards, implementation and various accounting standards that exist in Indonesia.

2. Method

The method used in this research is qualitative with a library research approach. The data sources studied were secondary sources in the form of several relevant literatures related to the research problem. Data collection is used to solve the problems that exist in the research. The data collection procedure was carried out by collecting various literature sources which were then presented and analyzed.

3. Results and Discussion

The preparation of the financial statements of an agency or company must be based on certain standards or formats. This is so that the report can be presented properly (Sugama, 2018). The standards that can be used by these companies have been regulated and determined in the Financial Accounting Standards.

Standardization of financial statements is needed to make it easier for business owners to compare their business with other entities. Therefore, Accounting Standards are an agreement made in the recording of financial statements.

Financial Accounting Standards in Indonesia

The development of the environment around the world can now make several countries into one in a single communication so that it demands transparency in all fields. In Indonesia, accounting standards are often given the nickname Prinsip Akuntansi Indonesia (PAI) / Indonesian Accounting Principles which contain documents or statements, so they are called Pernyataan Standar Akuntansi Keuangan (PSAK) / Statements of Financial Accounting Standards. SAK is what can be an infrastructure to realize the transparency (Putri, 2010).

The period of development of Accounting Standards in Indonesia can be grouped into 3 periods, namely the period where the PAI has not yet emerged, the period when the PAI becomes SAK and the last is the IFRS convergence period (Hariyati, 2011). IFRS is the answer to the need for standards that can be compared with other countries, Indonesian SAK is a local SAK which is difficult to compare with SAK of other countries. The PSAK to IFRS Convergence Program was launched by IAI in December 2007 (Suyatmini & Sheilla, 2014). Until now, in Indonesia there are 5 accounting standards that have been set. With the diversity of Financial Accounting Standards that exist in Indonesia, efforts to develop sound accounting practices can occur if there is a role for research on financial accounting standards so that rules and practices can be harmonized to solve accounting problems in developing accounting in Indonesia (Aksan et al., 2019), including:

a. Pernyataan Standar Akuntansi Keuangan-International Financial Report Standard (PSAK-IFRS) / Statement of Financial Accounting Standards-International Financial Report Standard

As the name implies, PSAK-IFRS are 2 entities combined into one, namely PSAK and IFRS. PSAK is a standard that has been set by IAI in 2012, while IFRS is a standard that has been used by several countries that are members of IFAC, and Indonesia is also a member of it.

All business entities with public accountability must use this PSAK standard, as well as business entities that have been registered in the capital market then must use the PSAK standard.

b. Standar Akuntansi Keuangan-Entitas Tanpa Akuntabilitas Publik (SAK-ETAP) / Financial Accounting Standards - Entities Without Public Accountability

SAK-ETAP is the standard used for entities without public accountability. The purposes of no public accountability here are: 1) Not having significant public accountability, 2) Financial Reports are published for general purposes aimed at external users. This SAK-ETAP also applies IFRS but only for Small Medium Enterprises which means that this SAK-ETAP is also a derivative of SAK-IFRS.

Standard simplification is mostly done by SAK-ETAP compared to SAK-IFRS, examples of this simplification are the absence of an entity's income statement, changes in the calculation of assets, both fixed assets and intangible assets, etc. Therefore, it is this simplification that ultimately makes this standard easy for MSME entrepreneurs in Indonesia to like because of their significant capital limitations.

c. Standar Akuntansi Keuangan-Entitas Mikro Kecil Menengah (SAK-EMKM) / Financial Accounting Standards for Micro, Small and Medium Entities

SAK-EMKM is an accounting standard made for MSMEs this is because there are still many MSMEs that cannot prepare financial reports in accordance with the applicable SAK. Therefore, the Indonesian Institute of Accountants (IAI) compiled SAK-EMKM which is a simplification of SAK-ETAP and is specifically used for MSMEs in order to increase enthusiasm for MSME entrepreneurs to develop their business, which was finally enforced in 2015. According to IAI (2017), with the existence of SAK EMKM is expected to later be able to help approximately 59.7 million MSME entrepreneurs throughout Indonesia.

SAK-EMKM applies the basic accrual assumption in the preparation of financial statements which is in accordance with the type of Micro, Small and Medium Entity. So that this financial report will later be expected to assist in the presentation of financial information of an entity and can assist the entity in making decisions.

d. Standar Akuntansi Syariah (SAS) / Sharia Accounting Standards

With the development of sharia-based industry, accounting standards require sharia-based standards to be established. That's why IASB established Sharia Accounting Standards which in this SAS there are standards for the preparation of financial statements in sharia transactions such as *istishna*, *murabahah*, *mudharabah* etc. The development of this SAS is based on SAK in general, but there are limits that have become the MUI fatwa.

e. Standar Akuntansi Pemerintah (SAP) / Government Accounting Standards

Not only entities or businesses, but the Government must also use accounting standards in the preparation of financial statements. In this way, Government Accounting Standards were prepared, in which SAP contained the rules or principles for making LKPP and LKPD.

Accounting standards continue to develop from period to period. In each of these periods there were several changes in the setting of accounting standards in Indonesia. The results of this study indicate that there are 5 kinds of accounting standards that are currently in force in Indonesia and are often referred to as PSAK (Pernyataan Standar Akuntansi Keuangan/Statement of Financial Accounting Standards). The application of each SAK depends on the type of institution. This is a discussion each of SAK:

a. Pernyataan Standar Akuntansi Keuangan-*International Financial Report Standard* (PSAK-IFRS) / Statement of Financial Accounting Standards-*International Financial Report Standard*

PSAK-IFRS based on research results are used by all companies whose business entities have used public accountability or have been registered in the capital market. Comparison of the use of PSAK-IFRS with other SAK for companies that use public accountability will affect the company's profit reporting. This is in line with research conducted by (Fong, 2016) that the use of PSAK-IFRS will have an effect on credit-insiders and equity-outsiders.

b. Standar Akuntansi Keuangan-Entitas Tanpa Akuntabilitas Publik (SAK-ETAP) / Financial Accounting Standards - Entities Without Public Accountability

SAK-ETAP is a simplification of PSAK-IFRS, which PSAK is intended for business entities that do not use public accountability. There are several account simplifications that must be met in SAK-ETAP for completeness in the preparation of financial statements. This result is also in accordance with research conducted by (Norkamsiah et al., 2016) that for completeness in the preparation of financial statements, a company without public accountability should use SAK-ETAP.

c. Standar Akuntansi Keuangan-Entitas Mikro Kecil Menengah (SAK-EMKM) / Financial Accounting Standards for Micro, Small and Medium Entities

The implementation of SAK-EMKM is made for MSMEs in Indonesia. Which is the application of this SAK using the accrual basis assumption for the preparation of financial statements. However, many MSMEs do not yet understand the implementation of SAK-EMKM. This is in line with research conducted by (Widiastawati & Hambali, 2020) that most MSMEs only count cash in and cash out and do not consider the assets they have.

d. Standar Akuntansi Syariah (SAS) / Sharia Accounting Standards

The results of this study are that SAS is an accounting standard used by industries that have a sharia basis, which is basically SAS which has limitations from the MUI fatwa. This result is also in line with research conducted by (Ilyas, 2020) that this sharia accounting system emphasizes Islamic values more.

e. Standar Akuntansi Pemerintah (SAP) / Government Accounting Standards

Based on the results of this study, SAP is used by government agencies for the preparation of LKPP and LKPD. This is also in accordance with the research conducted by (Motoh et al., 2020) that in its learning the Manado City Health Office has used SAP.

4. Conclusion

Accounting Standards are an agreement made in the recording of financial statements. In Indonesia, Accounting Standards are set based on the type of business or entity, different businesses or entities, so different types of SAK are used. There are 5 types of SAK that apply in Indonesia, including: PSAK-IFRS, SAK-ETAP, SAK-EMKM, SAS and SAP.

PSAK-IFRS is a standard used by agencies with public accountability or registered in the capital market. SAK-ETAP is a simplification of PSAK-IFRS in which SAK is used by business entities without public accountability. SAK-EMKM is also a simplification of SAK-ETAP where this type of SAK is addressed to

MSME entrepreneurs in Indonesia who still have difficulties in implementing SAK-EMKM in their businesses. SAS is an SAK which generally includes the limitations of the MUI fatwa. While SAP is used by government agencies for the preparation of LKPP and LKPD.

5. Acknowledgement

thank the head of the reviewer team who have contributed in reviewing this article. Professional support from the review team made this article eligible for publication.

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