

APPLICATION OF IFRS WITH DISCLOSURE OF FIXED ASSETS IN THE COMPANY'S FINANCIAL STATEMENTS

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Abstract. The aim of this research is to analyze the implementation of IFRS and its relationship with the comparison of disclosure of fixed assets or now called PPE (Property, Plant, and Equipment) in financial reports. The variable used in this research is the application of IFRS which focuses on the comparison of PPE disclosures. This research is based on previous research conducted by Vergauwe and Gaeremynck (2013). The sample for this research is manufacturing companies listed on the Indonesia Stock Exchange (BEI) in 2019-2022. Data was collected using a purposive sampling method, observations were analyzed. Hypothesis testing in this research uses regression analysis. Based on the results of the regression test, the application of IFRS does not have a significant effect on the disclosure of fixed assets in financial statements.

Keywords: Implementation of IFRS, Disclosure of Fixed Assets, Financial Reports

INTRODUCTION

The emergence and development of multinational companies, the growth of international markets and changes in investor behavior are some of the factors that drive the process of internationalization of economic activities, which then results in the need for uniform accounting standards that apply globally in the form of IFRS (International Financial Reporting Standards). Information in financial reports related to fixed assets is information that is important for report users to know finance. To be able to provide correct information to user financial reports, company management needs to implement accounting policies. Fixed assets and their depreciation are guided by good accounting principles and generally acceptable as set out in the Statement of Standards Financial Accounting (PSAK) which adopts International Financial Reporting Standards (IFRS), in this case PSAK No.16 of 2018.

For companies whose value and quantity of fixed assets owned are quite material, errors in determining and classifying the acquisition price, expenses during use and retirement of fixed assets will affect the overall financial statements. Therefore, accuracy in recording

fixed assets greatly influences the reliability of presentation in financial reports. Fixed assets usually have a useful life of more than one year, so they are expected to provide benefits to the company over a relatively long period of time. However, the benefits provided by fixed assets generally decrease over time,

their benefits continuously decrease, and cause depreciation.

The IFRS convergence program is also one of the recommendations in the Report on the Observance of Standards and Codes on Accounting and Auditing prepared by World Bank assessors which has been implemented as part of the Financial Sector Assessment Program (FSAP). According to Gamayuni (2019), by adopting IFRS, it means that financial reports speak the same accounting language, this will make it easier for multinational companies to communicate with their company branches located in different countries, thereby improving the quality of management reporting and decision making. The PSAK to IFRS convergence program in Indonesia has full support from the government. This was conveyed in the Bapepam-LK press release (2018), that the program

This is in line with the agreement of the leaders of the countries that are members of the G20, one of which is to create a set of quality accounting standards that apply internationally. According to Gamayuni (2019), adopting IFRS means that financial reports speak the same accounting language. Adopting international accounting standards into domestic accounting standards aims to produce financial reports that have a high level of comparability and credibility. The existence of comparability between one company's financial reports and other companies and the increasing amount of financial information disclosed in financial reports can cause a decrease in capital costs incurred by companies/investors (Li, 2008).

Specifically, the Financial Accounting Standards Board (FASB, 1980) states, investing and lending decisions essentially involve the evaluation of alternative opportunities, and they cannot be decided rationally if comparative information is not available. In other words, comparability of financial reports is a prerequisite for making investment decisions. The higher the comparability, the better the quality of the decisions taken.

The company's operational activities cannot be separated from fixed assets, because fixed assets are tangible resources or assets that provide long-term benefits (more than one period). The guideline for each entity regarding the recognition, measurement, presentation and disclosure of fixed assets in Indonesia is PSAK No. 16 concerning Fixed Assets.

In connection with the IFRS convergence program which must be implemented in company financial reports, the Indonesian Accountants Association (IAI) as the body authorized

to make changes to the Statement of Financial Accounting Standards (PSAK), issued a revision to PSAK No.16 (revised 2007) regarding Fixed Assets and Other Assets, and replaced it with PSAK No.16 (revised 2011) which is effective for financial year periods starting on or after January 1, 2012.

Several studies have been conducted by previous researchers where there is a research gap regarding the comparability of financial report disclosures in IFRS convergence. In research by Christensen et al. (2012) show that the initial quality of IFRS disclosures varies significantly based on IFRS adoption. However, several subsequent studies such as Rahmasari (2013) and Vergauwe and Gaeremynck (2013) show that disclosures in financial reports not only increase over time but also become more comparable.

LITERATURE REVIEW

IFRS is an international accounting standard published by the International Accounting Standards Board (IASB). IASB, formerly known as the International Accounting Standards Committee (IASC), is an independent institution tasked with compiling international accounting standards (IAS). This organization has the aim of developing and encouraging the use of global accounting standards that are high quality, understandable and comparable (Choi et al., 1999). Situmorang (2011) said that, International Financial Reporting Standards (IFRS), is a single accounting reporting standard that places emphasis on professional assessment (revaluation) with clear and transparent disclosures regarding the economic substance of transactions, explanations to reach certain conclusions.

According to the Financial Accounting Standards Board (DSAK, 2013), the level of IFRS adoption can be divided into five levels (1) full adoption, (2) adapted, (3) piecemeal, (4) referenced (convergence), and (5) not adopted at all. Based on the roadmap that has been prepared by IAI, the IFRS convergence program in Indonesia was carried out in three stages, namely the adoption stage (2008-2010), the final preparation stage (2011), and the implementation stage (2012). In 2009, Indonesia did not require companies listed on the IDX to fully use IFRS, but still referred to national financial accounting standards or PSAK. However, in 2010, for companies that have met the requirements, IFRS adoption is highly recommended.

The IASB together with the FASB formulated a new IFRS conceptual framework as a result of convergence between the IASB and FASB (Martani, et al, 2012). This basic framework essentially contains five main elements, namely (1) objectives of financial reports, (2) basic assumptions and concepts of capital and capital maintenance, (3) qualitative characteristics that determine the usefulness of information in financial reports, (4) elements financial reports, (5)

definition, recognition and measurement of the elements that form financial reports (Narsa, 2007).

The IFRS conceptual framework distinguishes between two types of qualitative characteristics needed to provide useful financial information, namely fundamental characteristics (fundamental qualitative characteristics; relevance and faithful representation), and enhancing characteristics (enhancing qualitative characteristics; comparability, timeliness, verifiability, and understandability). One of them is comparability. Ernst & Young (2010) stated that information about an entity's reporting will be more useful if it can be compared with the same information about other entities or with the same information about the same entity for a certain period.

Institutional theory argues that institutions are critical components in the environment. Institutions distinguish three types of isomorphic pressure on organizations: coercive, normative, and mimetic (DiMaggio and Powell, 1983). In the framework of institutional theory (Mimetic Isomorphism Theory) it is explained that a company/organization will refer to successful imitation actions of other organizations when an organization does not know for sure what to do. This characteristic of imitating the best (mimetic) results in the disclosure of company financial statements becoming increasingly comparable over time.

The guideline for each entity regarding the recognition, measurement, presentation and disclosure of fixed assets in Indonesia is PSAK No. 16 concerning Fixed Assets. Furthermore, within the theoretical framework of Fixed Assets (PSAK 16 revised 2011) there are several things that need to be disclosed in the company's financial statements, including the following: (1) the measurement basis used in determining the gross carrying amount, (2) the depreciation method used, (3)) useful life or depreciation rate used, (4) gross carrying amount and accumulated depreciation (summed with accumulated impairment losses) at the beginning and end of the period, and (5) reconciliation of the carrying amount at the beginning and end of the period. Then the PSAK to IFRS convergence program in Indonesia ultimately required several adjustments in Indonesian accounting standards.

RESEARCH METHODS

The dependent variable used in this research is the level of fixed asset disclosure. Identification of disclosure items in this research was carried out using the Ernst & Young IFRS Presentation and Disclosure Checklist This disclosure index measurement uses a scoring technique in accordance with research from Vergauwe and Gaeremynck (2013), namely if the item that needs to be disclosed is applicable within the company and the item is disclosed by the

company is given a score of 1, if the item is not disclosed it is given a score of 0, and if the item cannot be applied in the company it will be marked N/A (Not Applicable) and deducted from the maximum score that can be obtained by each company.

DISCUSSION

Fixed assets in Statement of Financial Accounting Standards (PSAK) No. 16 are the same as the definition of property, plant and equipment in International Accounting Standard (IAS) No. 16. Both standards regulate the same objects although with slightly different terms, namely fixed assets or property, plant and equipment. Keith Alfredson, Ken Leo, Ruth Picker, Paul Pater, Jennie Radford, and Victoria Wise in *Applying IFRS (2007)* outline several fixed asset criteria based on the definition of fixed assets mentioned in IAS No.16, namely:

1. The fixed assets referred to are tangible fixed assets. Tangible fixed assets are different from intangible assets. Tangible fixed assets are fixed assets that can be seen physically.
2. Fixed assets are owned for specific operational purposes such as the production or provision of goods or services so that assets held for sale or investment are not included in fixed assets.
3. Fixed assets are non-current assets that are expected to be used for more than one period.

In the basic framework for preparing and presenting financial statements, assets are recognized when the value and cost can be measured reliably, whereas in IAS No. 16 and PSAK No. 16 fixed assets are recognized only when the cost can be measured reliably. Assets whose cost cannot be measured reliably even though their initial fair value can be measured reliably cannot be recognized as fixed assets. For the above, PSAK No.16 agrees with IAS No.16. Apart from that, according to Keith Alfredson, Ken Leo, Ruth Picker, Paul Pater, Jennie Radford, and Victoria Wise, here are several things that entities need to consider when recognizing fixed assets:

There are several ways for entities to obtain fixed assets such as cash purchases, lump sum or joint purchases, exchange for securities, exchange for similar fixed assets, exchange for dissimilar fixed assets, installment purchases, obtained from gifts/donations and self-made fixed assets. However, almost every method used requires expenditure in its acquisition. This creates problems for entities who must determine whether these expenses will be capitalized as assets or expensed, because not all expenses can be capitalized as assets.

Assets are not recognized in the balance sheet if expenditure has occurred and the economic benefits are deemed unlikely to flow to the company after the current accounting period. Alternatively, such transactions give rise to expense recognition in the income statement.

This treatment does not mean that the expenditure made by management has a purpose other than generating economic benefits for the company in the future or that management is in the wrong direction. The only implication is that the level of certainty of the economic benefits received by the company after the current accounting period is insufficient to justify recognizing the asset.

CONCLUSION

Based on the results of the regression test, the application of IFRS did not have a significant effect on the disclosure of fixed assets in financial statements during the four years of observation (2019-2022). The results of this study do not support the results of Yaacob and Ayoib's research (2020) For recording, recognizing, assessing and discontinuing fixed assets, companies must pay more attention to the use of applicable accounting standards so that their financial reporting has accurate information.

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