

# ***IFRS and Indonesian GAAP (PSAK): similarities and differences***

October 2012



This publication provides a summary of the key differences between the Indonesian Financial Accounting Standards (“IFAS” or “PSAK”) and the International Financial Reporting Standards (“IFRS”) that are required for annual reporting periods beginning on 1 January 2012.

This publication does not include the specific requirements applicable for listed companies as prescribed by the Capital Market and Financial Institutions Supervisory Board (“Bapepam-LK”). Please refer to the other specific publication on this matter.

This summary is not a substitute for reading the accounting standards and interpretations themselves. While every effort has been made to ensure accuracy, this publication is not comprehensive and information may have been omitted which may be relevant to a particular user.

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## Foreword

This year, we have reached another substantial milestone in the convergence process of aligning PSAK with the International Financial Reporting Standards (“IFRS”). The Accounting Standards Board of the Indonesian Institute of Accountants has introduced no less than 22 revised and new standards that are effective this financial year, some of which are highly complex in their application. The implementation of these new standards will substantially align PSAK with IFRS issued by the IASB as at 1 January 2009.

As the convergence process from PSAK to IFRS was performed on a gradual basis, Indonesia has not yet fully adopted IFRS. There are several updates to IFRS that have not been adopted in PSAK. As a result, there are still a number of differences between IFRS and PSAK that are required for annual reporting periods beginning on 1 January 2012.

This publication is aimed to highlight these key differences and enable users to better understand in the preparation of the financial statements under IFRS and PSAK. We encourage you to consult your regular PwC contact should you have any questions or comments regarding this publication or the implementation of the new accounting standards.

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## Comparing International Financial Reporting Standards (IFRS)/ International Accounting Standards (IAS) with Indonesian Financial Accounting Standards (PSAK)

Below are the key comparison between the Indonesian Financial Accounting Standards (PSAK or IFAS) and the International Financial Reporting Standards (IFRS)/ International Accounting Standards (IAS) required for annual reporting periods beginning on 1 January 2012.

IFRS		PSAK		Differences
IFRS 1	First-time Adoption of International Financial Reporting Standards	-	No equivalent standard	IFRS 1 will not be adopted as it has been considered or included in the transitional provision in the individual standards/interpretations.
IFRS 2	Share-based Payment	PSAK 53	Share-based Payment	PSAK 53 is consistent with IFRS 2 in all significant respects.
IFRS 3	Business Combinations	PSAK 22	Business Combinations	<p>Two standards in key principals are the same, however there are several minor amendments being made in the IFRS 3 which has not been absorbed by PSAK 22.</p> <p>There is a difference in measuring non-controlling interests where IFRS 3 provides clearer requirements (on present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation) which reduces diversity in the application.</p> <p>IFRS 3 also provides application guidance on all share-based payment transactions that are part of business combinations, including unreplaced and voluntarily replaced share-based payment awards.</p>

IFRS		PSAK		Differences
IFRS 4	Insurance Contracts	PSAK 62	Insurance Contracts	PSAK 62 is adopted from IFRS 4 except for the requirement in IFRS 4 to measure the insurance liabilities on an undiscounted basis because this contradicts PSAK 28 and PSAK 36.
		PSAK 28	Accounting for Loss Insurance	The purpose of PSAK 28 and 36 is to complement the requirement in PSAK 62. There are no standards in IFRS/IAS which are equivalent to PSAK 28 and 36.
		PSAK 36	Accounting for Life Insurance	
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	PSAK 58	Non-current Assets Held for Sale and Discontinued Operations	PSAK 58 is consistent with IFRS 5 in all significant respects.
IFRS 6	Exploration for and Evaluation of Mineral Resources	PSAK 64	Exploration and Evaluation of Mineral Resources Mining	PSAK 64 is consistent with IFRS 6 in all significant respects.
		PSAK 33	Stripping Activities and Environmental Management in General Mining	PSAK 33 provides specific guidelines on the general mining in relation to stripping and environmental management activities. There are no standards in IFRS/IAS which are equivalent to PSAK 33 and thus this additional provision may lead to different accounting treatment.

IFRS		PSAK		Differences
IFRS 7	Financial Instruments: Disclosures	PSAK 60	Financial Instruments: Disclosures	<p>There are several amendments being made in the IFRS 7 which has not been absorbed by PSAK 60. The main differences are as follows:</p> <ul style="list-style-type: none"> <li>• PSAK 60, under the credit risk disclosure requirements, still includes a provision to disclose the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated and a description of collateral held by the entity as security and other credit enhancements, where as IFRS 7 has deleted these points.</li> <li>• IFRS 7 requires greater disclosure of transferred financial assets in both categories of (a) transferred assets that are not derecognised in their entirety and (b) transferred assets that are derecognised in their entirety. The second category has more extensive disclosures requirements.</li> </ul>
IFRS 8	Operating Segments	PSAK 5	Operating Segments	PSAK 5 is consistent with IFRS 8 in all significant respects.

IFRS		PSAK		Differences
IAS 1	Presentation of Financial Statements	PSAK 1	Presentation of Financial Statements	<p>PSAK 1 is consistent with IAS 1 in all significant respects, except for the following:</p> <ul style="list-style-type: none"> <li>• PSAK 1 defines Indonesian Financial Accounting Standards (IFAS) as consisting of the Statements of Financial Accounting Standards, their interpretations and financial reporting rules issued by capital market authorities. IAS 1 does not include the latter.</li> <li>• Unlike IAS 1, PSAK 1 disallows an entity to use titles for the financial statements other than those used in PSAK 1. PSAK 1 however allows the entity to use balance sheets instead of the statement of financial position.</li> <li>• Under PSAK 1, where compliance with the PSAK would be so misleading that it would conflict with the objectives of the financial statements, an entity is not allowed to depart from the relevant standards; however it may disclose the fact that: (a) the application of those standards would be misleading and (b) alternative reporting basis should be applied to achieve fair presentation of financial statements. IAS 1, under similar circumstances, allows for departure from the prevailing standards.</li> </ul>



IFRS		PSAK		Differences
IAS 2	Inventories	PSAK 14	Inventories	PSAK 14 is consistent with IAS 2 in all significant respects.
IAS 7	Statement of Cash Flows	PSAK 2	Statement of Cash Flows	PSAK 2 is consistent with IAS 7 in all significant respects.
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	PSAK 25	Accounting Policies, Changes in Accounting Estimates and Errors	PSAK 25 is consistent with IAS 8 in all significant respects.
IAS 10	Events after the Reporting Period	PSAK 8	Events after the Reporting Period	PSAK 8 is consistent with IAS 10 in all significant respects, except that IAS 10 requires disclosure in cases where owners or other parties have the power to amend financial statements after issue. PSAK does not require such disclosure.
IAS 11	Construction Contracts	PSAK 34	Construction Contracts	PSAK 34 is consistent with IAS 11 in all significant respects.
IAS 12	Income Taxes	PSAK 46	Income Taxes	<p>IAS 12 contains an exception to the measurement of deferred tax assets or liabilities arising on investment property measured at fair value which assumed that an investment property is recovered entirely through sale.</p> <p>PSAK 46 regulates several items that are not covered by IAS 12, i.e. (a) final income tax (no deferred tax applicable, recognition and presentation of the related final income tax expense and balance) and (b) specific rules with regard to tax assessment letters (mainly on the recognition of additional tax expenses/income arising from the tax examination letters).</p>



IFRS		PSAK		Differences
IAS 16	Property, Plant and Equipment	PSAK 16	Fixed Assets	PSAK 16 is consistent with IAS 16 in all significant respects. PSAK 16 provides reference to ISAK 25 in relation to land rights.
		ISAK 25	Land Rights	ISAK 25 still maintains that land that is held under HGB, HGU and Hak Pakai rights is not amortised unless there is an indication that the renewal or extension of the rights is not probable or cannot be obtained. Costs to obtain those rights for the first time are capitalized as fixed assets but subsequent costs to extend or renew the rights are recognised as intangible assets and then amortised based on paragraph 11 of ISAK 25.
IAS 17	Leases	PSAK 30	Leases	PSAK 30 is consistent with IAS 17 in all significant respects.
IAS 18	Revenue	PSAK 23	Revenue	PSAK 23 is consistent with IAS 18 in all significant respects.
IAS 19	Employee Benefits	PSAK 24	Employee Benefits	PSAK 24 is consistent with IAS 19 in all significant respects.
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	PSAK 61	Accounting for Government Grants and Disclosure of Government Assistance	PSAK 61 is consistent with IAS 20 in all significant respects.
IAS 21	The Effects of Changes in Foreign Exchange Rates	PSAK 10	The Effects of Changes in Foreign Exchange Rates	PSAK 10 is consistent with IAS 21 in all significant respects.
IAS 23	Borrowing Costs	PSAK 26	Borrowing Costs	PSAK 26 is consistent with IAS 23 in all significant respects.
IAS 24	Related Party Disclosures	PSAK 7	Related Party Disclosures	PSAK 7 is consistent with IAS 24 in all significant respects.

IFRS		PSAK		Differences
IAS 26	Accounting and Reporting by Retirement Benefit Plans	PSAK 18	Accounting and Reporting by Retirement Benefit Plans	PSAK 18 is consistent with IAS 26 in all significant respects.
IAS 27	Consolidated and Separate Financial Statements	PSAK 4	Consolidated and Separate Financial Statements	<p>PSAK 4 is consistent with IAS 27 in all significant respects, except that:</p> <ol style="list-style-type: none"> <li>1. Unlike IAS 27, PSAK 4 does not allow a parent entity to present its own separate financial statements as standalone general purpose financial statements. PSAK 4 stipulates that the separate financial statements have to be presented as supplementary information to the consolidated financial statements.</li> <li>2. PSAK 4 does not provide an exemption for the parent entity from consolidating the financial statements of its subsidiaries. All parent entities are required to present the consolidated financial statements. Under IAS 27, such an exemption exists provided certain criteria are met.</li> </ol>

IFRS		PSAK		Differences
IAS 28	Investments in Associates	PSAK 15	Investments in Associates	PSAK 15 is consistent with IAS 28 in all significant respects, except that under IAS 28, an entity or an investor is exempted from applying the equity method of accounting for its associates if they meet certain criteria. In this case, the investor prepares separate financial statements as their only financial statements and records investments in associates, either at cost or in accordance with IAS 39.
IAS 29	Financial Reporting in Hyperinflationary Economies	PSAK 63	Financial Reporting in Hyperinflationary Economies	PSAK 63 is consistent with IAS 29 in all significant respects.
IAS 31	Interests in Joint Ventures	PSAK 12	Interests in Joint Ventures	PSAK 12 is consistent with IAS 31 in all significant respects. But while both PSAK 12 and IAS 31 allow either the equity method or the proportionate consolidation method, PSAK 12 puts more emphasis on the equity method, whereas IAS 31 recommends the proportionate consolidation method.
IAS 32	Financial Instruments: Presentation	PSAK 50	Financial Instruments: Presentation	PSAK 50 is consistent with IAS 32 in all significant respects.
IAS 33	Earnings per Share	PSAK 56	Earnings per Share	PSAK 56 is consistent with IAS 33 in all significant respects.

IFRS		PSAK		Differences
IAS 34	Interim Financial Reporting	PSAK 3	Interim Financial Reporting	<p>PSAK 3 is consistent with IAS 34 in all significant respects.</p> <p>However, under the prevailing capital market regulations, listed companies are required only to report cumulative year-to-date information (and related comparatives) for the Statement of Comprehensive Income (“SoCI”) and are not required to present current interim period SoCI.</p>
IAS 36	Impairment of Assets	PSAK 48	Impairment of Assets	PSAK 48 is consistent with IAS 36 in all significant respects.
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	PSAK 57	Provisions, Contingent Liabilities and Contingent Assets	PSAK 57 is consistent with IAS 37 in all significant respects.
IAS 38	Intangible Assets	PSAK 19	Intangible Assets	PSAK 19 is consistent with IAS 38 in all significant respects.

IFRS		PSAK		Differences
IAS 39	Financial Instruments: Recognition and Measurement	PSAK 55	Financial Instruments: Recognition and Measurement	<p>There are several amendments being made in the IAS 39 which has not been absorbed by PSAK 55.</p> <p>PSAK 55 is consistent with IAS 39 in all significant respects except for IAS 39 includes several amendments with regard to:</p> <ul style="list-style-type: none"> <li>the prohibition of the reclassification of a hybrid (combined) contract out of the fair value through profit or loss category when the entity is unable to separately measure an embedded derivative;</li> <li>further clarification on the scope exemption to forward contract for business combination.</li> </ul>
IAS 40	Investment Property	PSAK 13	Investment Property	PSAK 13 is consistent with IAS 40 in all significant respects.
IAS 41	Agriculture		No equivalent standard under PSAK.	<p>IAS 41 will be adopted by after it is revised by the IASB. The IAS 41 model currently is not considered to be compatible with the agricultural environment in Indonesia. Unlike IAS 41 that requires the agriculture to be measured at fair value, the accounting for agriculture under PSAK is still based on historical costs.</p>

## Comparing Interpretation of IFRS (IFRIC and SIC) and Indonesian Interpretation of Financial Accounting Standards (ISAK)

Below are the key comparison between the Indonesian Interpretation of Financial Accounting Standards (ISAK) and the IFRIC Interpretation (IFRIC) required for annual reporting periods beginning on 1 January 2012.

IFRIC / SIC		ISAK		Differences
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	ISAK 9	Changes in Existing Decommissioning, Restoration and Similar Liabilities	ISAK 9 is consistent with IFRIC 1 in all significant respects.
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments		No equivalent interpretation under PSAK.	IFRIC 2 is not adopted since cooperatives in Indonesia do not issue shares to its members.
IFRIC 4	Determining whether an Arrangement contains a Lease	ISAK 8	Determining whether an Arrangement Contains a Lease	ISAK 8 is consistent with IFRIC 4 in all significant respects.
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds		No equivalent interpretation under PSAK.	IFRIC 5 is not adopted.
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment		No equivalent interpretation under PSAK.	IFRIC 6 is not adopted.
IFRIC 7	Applying the Restatement Approach under IAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>	ISAK 19	Applying the Restatement Approach under PSAK 63: <i>Financial Reporting in Hyperinflationary Economies</i>	ISAK 19 is consistent with IFRIC 7 in all significant respects.

IFRIC / SIC		ISAK		Differences
IFRIC 9	Reassessment of Embedded Derivatives	ISAK 26	Reassessment of Embedded Derivatives	ISAK 26 is consistent with IFRIC 9 in all significant respects.
IFRIC 10	Interim Financial Reporting and Impairment	ISAK 17	Interim Financial Reporting and Impairment	ISAK 17 is consistent with IFRIC 10 in all significant respects.
IFRIC 12	Service Concession Arrangements	ISAK 16	Service Concession Arrangements	ISAK 16 is consistent with IFRIC 12 in all significant respects.
IFRIC 13	Customer Loyalty Programmes	ISAK 10	Customer Loyalty Programmes	ISAK 10 is consistent with IFRIC 13 in all significant respects.
IFRIC 14	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	ISAK 15	PSAK 24 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	<p>There are several amendments being made in the IFRIC 14 which has not been absorbed by ISAK 15.</p> <p>There are differences in determining “the economic benefit available as a reduction in future contributions” in the condition of no minimum funding requirement or with a minimum funding requirement.</p> <p>Under the IFRIC 14, any surplus arising from voluntary pre-payment of minimum funding contribution in respect of future service should be recognised as an asset when there is a minimum funding requirement.</p>



IFRIC / SIC		ISAK		Differences
IFRIC 15	Agreements for the Construction of Real Estate	PSAK 44	Accounting for Real Estate Development	<p>There are differences in the accounting for real estate development between PSAK 44 and IFRIC 15.</p> <p>PSAK 44 regulates specific provisions with regard to revenue recognition of different types of real estate development, cost components, allowance allocation and disclosures.</p> <p>IFRIC 15 however is a broader interpretation of the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. IFRIC 15 addresses whether the agreement falls within the scope of IAS 11 (Construction Contracts) or IAS 18 (Revenue) and when the revenue from the construction of real estate should be recognised.</p>
		ISAK 21	Agreements for the Construction of Real Estate	<p>ISAK 21 is consistent with IFRIC 15 in all significant respects. However, the difference remains as the effective date of ISAK 21 is delayed awaiting the completion of ED IFRS on revenue.</p>

IFRIC / SIC		ISAK		Differences
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	ISAK 13	Hedges of a Net Investment in a Foreign Operation	ISAK 13 is consistent with IFRIC 16 in all significant respects.
IFRIC 17	Distributions of Non-cash Assets to Owners	ISAK 11	Distributions of Non-cash Assets to Owners	ISAK 11 is consistent with IFRIC 17 in all significant respects.
IFRIC 18	Transfers of Assets from Customers		No equivalent interpretation under PSAK.	IFRIC 18 has not been adopted.
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments		No equivalent interpretation under PSAK.	IFRIC 19 has not been adopted.
SIC-7	Introduction of the Euro		No equivalent interpretation under PSAK.	SIC 7 is not adopted.
SIC-10	Government Assistance-No Specific Relation to Operating Activities	ISAK 18	Government Assistance-No Specific Relation to Operating Activities	ISAK 18 is consistent with SIC 10 in all significant respects.
SIC-12	Consolidation-Special Purpose Entities	ISAK 7	Consolidation-Special Purpose Entities	ISAK 7 is consistent with SIC 12 in all significant respects.
SIC-13	Jointly Controlled Entities-Non-Monetary Contributions by Venturers	ISAK 12	Jointly Controlled Entities-Non-Monetary Contributions by Venturers	ISAK 12 is consistent with SIC 13 in all significant respects.
SIC-15	Operating Leases-Incentives	ISAK 23	Operating Leases-Incentives	ISAK 23 is consistent with SIC 15 in all significant respects.
SIC-25	Income Taxes-Changes in the Tax Status of an Entity or its Shareholders	ISAK 20	Income Taxes-Changes in the Tax Status of an Entity or its Shareholders	ISAK 20 is consistent with SIC 25 in all significant respects.
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	ISAK 24	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	ISAK 24 is consistent with SIC 27 in all significant respects.

IFRIC / SIC		ISAK		Differences
SIC-29	Service Concession Arrangements: Disclosures	ISAK 22	Service Concession Arrangements: Disclosures	ISAK 22 is consistent with SIC 29 in all significant respects.
SIC-31	Revenue-Barter Transactions Involving Advertising Services		No equivalent interpretation under PSAK.	No equivalent interpretation under PSAK.
SIC-32	Intangible Assets-Web Site Costs	ISAK 14	Intangible Assets-Web Site Costs	ISAK 14 is consistent with SIC 32 in all significant respects.

There are other specific PSAKs that have no equivalent standards under IFRS i.e.:

**PSAK 38: “Akuntansi Restrukturisasi Entitas Sepengendali” / *Accounting for Restructuring Under Common Control Entities***

The objective of this standard is to specify the accounting for restructuring under common control entities which has not been covered by PSAK 22 “Business Combinations”.

A restructuring transaction which occurred within under common control entities is considered to have no economic substance, despite any legal form transfer between the entities.

**PSAK 45: “Pelaporan Keuangan Entitas Nirlaba” / *Financial Reporting for Non-Profit Organisations***

The objective of this standard is to specify the financial reporting for non-profit organisations.

**PSAK 51: “Akuntansi Kuasi-Reorganisasi” / *Accounting for Quasi Reorganisation***

This standard specifies the accounting for quasi reorganisation. This standard will be withdrawn effectively starting 1 January 2013.



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