



# A practical guide to the new and revised Indonesian Financial Standards for 2025



# Table of contents

Amended accounting standards	3
Amendments to PSAK 221 – The effects of changes in foreignexchange rates	7
Appendix A — Forthcoming requirements	10

# Amended accounting standards

## PSAK 117 “Insurance contracts”

Transition provision: Retrospective

### Issue

Indonesian Financial Accounting Standard (*Pernyataan Standar Akuntansi Keuangan* - PSAK) 117, issued by the Financial Accounting Standards Board of the Indonesian Institute of Accountants (DSAK-IAI), is a comprehensive accounting standard for insurance contracts, replacing PSAK 104, which previously allowed a wide variety of practices. PSAK 117 will fundamentally change how entities account for insurance contracts and investment contracts with discretionary participation features.

### What is the impact and for whom?

#### Impact

PSAK 117, replacing PSAK 104, introduces a consistent measurement model for insurance contracts, focusing on current estimates and the Contractual Service Margin (CSM), which represents unearned profit recognised over the coverage period. This contrasts with PSAK 104’s varied accounting practices, which often emphasised premium receipts and incurred claims. PSAK 117 also mandates the identification of onerous contracts—where expected costs exceed benefits—requiring immediate loss recognition in profit or loss, a concept not addressed in PSAK 104. PSAK 117 applies to all insurance contracts (except for those excluded from its scope) and is not limited to insurance companies. Therefore, the standard enhances comparability through detailed presentation and disclosure requirements, distinguishing insurance revenue from investment components. Overall, PSAK 117 aims

to provide a clearer depiction of an insurer's financial position, addressing inconsistencies under PSAK 104 and enhancing stakeholders' understanding of financial health and risk exposure.

## **Scope**

PSAK 117 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee service contracts whose primary purpose is the provision of services, entities have an accounting policy choice to account for them in accordance with either PSAK 117 or PSAK 115. Similar to the position under PSAK 104, financial guarantee contracts are allowed to be within the scope of PSAK 117 if the entity previously asserted explicitly that it regarded them as insurance contracts. Insurance contracts (other than reinsurance) where the entity is a policyholder are not within the scope of PSAK 117.

Embedded derivatives and distinct investment and service components should be 'unbundled' and accounted for separately in accordance with the related PSAKs. Voluntary unbundling of other components is prohibited.

## **Measurement model**

PSAK 117 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a CSM representing the unearned profit of the contract. A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. However, claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability-weighted cash flows.

For presentation and measurement, entities are required at initial recognition to disaggregate a portfolio (that is, contracts that are subject to similar risks and managed together as a single pool) into three groups of contracts: onerous, no significant risk of becoming onerous and remaining contracts. Contracts that are issued more than one year apart should not be in the same group.

Changes in cash flows related to future services should be recognised against the CSM. The CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognised in profit or loss. Interest is accreted on the CSM at rates locked in at initial recognition of a contract. To reflect the service provided, the CSM is released to profit or loss in each period on the basis of passage of time.

Under PSAK 117, entities have an accounting policy choice to recognise the impact of changes in discount rates and other assumptions that relate to financial risks either in profit or loss or in other comprehensive income (OCI). The OCI option for insurance liabilities reduces some volatility in profit or loss for insurers where financial assets are measured at amortised cost or fair value through OCI under PSAK 109.

The variable fee approach is required for insurance contracts that specify a link between payments to the policyholder and the returns on underlying items, such as some “participating”, “with profits” and “unit-linked” contracts. The interest on the CSM for such contracts is accreted implicitly through adjusting the CSM for the change in the variable fee. The variable fee represents the entity’s share of the fair value of the underlying items less amounts payable to policyholders that do not vary based on the underlying items. The CSM is also adjusted for the time value of money and the effect of changes in financial risks not arising from underlying items such as options and guarantees.

## **Effective date and transition**

### **Effective date**

An entity shall apply PSAK 117 for annual reporting periods beginning on or after 1 January 2025. Earlier application of these amendments is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.

### **Transition**

Requirements in PSAK 117 align the presentation of revenue with other industries. Revenue is allocated to periods in proportion to the value of expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components (that is, amounts repaid to policyholders even if the insured event does not occur) are excluded from revenue and claims.

Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts. The disclosure requirements are more detailed than currently required under PSAK 104.

On transition to PSAK 117, an entity applies PSAK 117 retrospectively to groups of insurance contracts, unless it is impracticable. In this case, the entity is permitted to choose between a modified retrospective approach and

the fair value approach. In applying a modified retrospective approach, the entity achieves the closest outcome to retrospective application using reasonable and supportable information and choosing from a list of available simplifications. Alternatively, the CSM at transition can be based on fair value at transition. In practice, using different approaches to transition could result in significantly different outcomes that will drive profit recognised in future periods for contracts in force on transition.

# Amendments to PSAK 221 – The effects of changes in foreign exchange rates

Transition provision: Retrospective

## Issue

Amendment to PSAK 221 issued by DSAK IAI on 2 December 2023, requires entities to apply a consistent approach in assessing whether a currency can be exchanged into another currency, and if not, to determine the exchange rate used and the disclosures provided.

## What is the nature of the amendments?

The amendments clarify the conditions under which a currency is considered non-exchangeable and provide guidance on how to estimate the spot exchange rate when a currency is not exchangeable. The amendments also introduce new disclosure requirements to help users of financial statements understand the impact of a currency not being exchangeable on an entity's financial performance, position and cash flows. Additionally, the amendments specify that entities should apply a consistent approach to determine exchangeability and the spot exchange rate to use when exchangeability is lacking. These changes aim to improve the consistency and usefulness of financial information provided to users, especially in situations where economic conditions can deteriorate rapidly due to non-exchangeable currencies.

## Impact

These amendments define and establish criteria for determining whether a currency is exchangeable, particularly in situations where exchangeability is restricted or non-existent. They provide guidance on estimating the spot exchange rate when a currency is not exchangeable.

### Step 1: Assess whether a currency is exchangeable

A currency is exchangeable into another currency when an entity is able to obtain the other currency:

- within a time frame that allows for a normal administrative delay; and
- through a market or exchange mechanism in which the transaction would create enforceable rights and obligations.

An entity is generally required to use a spot exchange rate when reporting foreign currency transactions or the results and financial position of a foreign operation. If a currency is not exchangeable into another currency, the spot exchange rate needs to be estimated (Step 2).

### Step 2: Estimate the spot exchange rate when a currency is not exchangeable

Depending on the facts and circumstances, an entity might use an observable exchange rate without adjustment or another estimation technique. Judgement is required to determine the most appropriate method to meet the objective of the requirements. Examples of observable rates that might be used as an estimate of the spot exchange rate are:

- a spot exchange rate for another purpose; and
- the first exchange rate after exchangeability is restored.

## Disclosure when a currency is not exchangeable

At a minimum, it must disclose information about:

- the nature and financial effects of the currency not being exchangeable into the other currency;
- the spot exchange rate(s) used;
- the estimation process; and
- the risks to which the entity is exposed because of the currency not being exchangeable into the other currency.



Meeting the disclosure objective, when providing information about the four factors set out above, requires an entity to disclose at least the currency and related restrictions, impacted transactions, carrying amounts, exchange rates (including estimation methods and used assumptions, if any) and risks due to currency non-exchangeability.

Moreover, when a foreign operation's functional currency is not exchangeable into the reporting entity's presentation currency (or vice versa), the entity should also disclose:

- the name and type of relationship of the foreign operation;
- summarised financial information about the foreign operation; and
- the nature and terms of any contractual arrangements that could require the entity to provide financial support to the foreign operation.

## **Effective date and transition**

These amendments should be applied for annual periods beginning on or after 1 January 2025. Earlier application is permitted. When an entity first applies the lack of exchangeability requirements, it is not permitted to restate comparative information, instead the entity must translate the affected amounts using estimated spot exchange rates at the date of initial application. This translation results in an adjustment to retained earnings if the exchange involves foreign and functional currencies, or to the reserve for cumulative translation differences if it involves functional and presentation currencies.

## Appendix A — Forthcoming requirements

Title	Key requirements	Effective date
PSAK 109: Financial Instrument and PSAK 107 Financial Instrument: Disclosure related to Classification and Measurement of Financial Instruments	The amendment adds and clarifies provisions in PSAK 109 regarding the derecognition of financial liabilities and clarifies the assessment of cash flow characteristics for financial assets with environmental, social and governance (ESG)-linked features, financial assets with non-recourse features and contractually linked instruments such as tranches. The amendment also modifies provisions in PSAK 107 related to disclosure requirements for investments in equity instruments measured at fair value through other comprehensive income and adds provisions related to financial instruments with contractual terms that alter the timing or amount of contractual cash flows.	1 January 2026 and early adoption is allowed.
PSAK 413: Impairment	PSAK 413 introduces a standard that regulates the accounting treatment of financial assets arising from sharia transactions, as well as Kafalah provision related to credit risk guarantees. It aims to recognise losses from impairment	1 January 2027 and early adoption is allowed.
PSAK 414: Impairment of Sharia Financial Assets for Entities Applying Indonesian Financial Accounting Standards for Private Entities	PSAK 414 on Impairment of Sharia Financial Assets for Entities Implementing Indonesian Financial Accounting Standards for Private Entities. PSAK 414 regulates the impairment of sharia financial assets that are basic (basic financial assets or non-marketable financial assets) in the form of rights to receive cash, where the amount and timing have been determined in the contract (contractual rights) arising from sharia-based financing transactions and activities in the real sector.	1 January 2027 and early adoption is allowed.
PSAK 118 Presentation and Disclosure in Financial Statements	PSAK 118 supersedes PSAK 201, retaining many existing principles but significantly changing how entities report “operating profit or loss.” It establishes a defined structure for the statement of profit or loss, categorising items into operating, investing, financing, income taxes and discontinued operations. The standard mandates specific disclosures, including management-defined performance measures (MPMs), which must be reconciled to the most similar specified subtotal in PSAK’s profit or loss.	1 January 2027 and early adoption is allowed.

## For professional accounting advice, please contact:

**Djohan Pinnarwan**  
djohan.pinnarwan@pwc.com

**Andri Effendi**  
andri.effendi@pwc.com

**Irwan Lau**  
irwan.lau@pwc.com

**Helen Bagalanon**  
helen.b.bagalanon@pwc.com

**Gayatri Permatasari**  
gayatri.permatasari@pwc.com

**Iffah Busnia**  
iffah.busnia@pwc.com

### PwC Indonesia

WTC 3  
Jl. Jend. Sudirman Kav. 29-31  
Jakarta 12920 – Indonesia  
T: +62 21 5099 2901 / 3119 2901  
F: +62 21 5290 5555 / 5290 5050

Pakuwon Tower  
Tunjungan Plaza 6, 50<sup>th</sup> Floor, Unit 02-06  
Jl. Embong Malang No.21-31  
Surabaya 60261 – Indonesia  
T: +62 31 9924 5759

[www.pwc.com/id](http://www.pwc.com/id)

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PwC Indonesia, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

The documents, or information obtained from PwC, must not be made available or copied, in whole or in part, to any other persons/parties without our prior written permission which we may, at our discretion, grant, withhold or grant subject to conditions (including conditions as to legal responsibility or absence thereof).

© 2025 KAP Rintis, Jumadi, Rianto & Rekan. All rights reserved. PwC refers to the Indonesia member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further detail