



A practical guide to the new and revised Indonesian Financial Standards for 2026





Introduction

This publication provides a practical overview of the new and revised Indonesian Financial Accounting Standards (IFAS) that are effective for annual reporting periods beginning on or after 1 January 2026. It is designed to help preparers, users, and advisors understand the key changes and their potential implications for financial reporting in Indonesia.

This summary is not a substitute for reading the full accounting standards and interpretations. While we strive for accuracy, this guide is not comprehensive and some information relevant to specific users may be omitted.

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The publication is structured to support ease of use. The main section addresses the amended and revised standards effective in 2026, providing high-level explanations of the key issues. Appendix A outlines forthcoming requirements, including standards and amendments effective from 1 January 2027 onwards. Appendix B summarises the annual improvements to Standar Akuntansi Keuangan (SAK) Indonesia ratified on 16 December 2024, which are based on annual improvements to International Financial Reporting Standards (IFRS) Accounting Standards – Volume 11.

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Amended and revised accounting standards

Amendments to PSAK 109 and PSAK 107 Classification and Measurement of Financial Instruments

Issue

On 16 December 2024, the Financial Accounting Standards Board of the Indonesian Institute of Accountants (DSAK-IAI) ratified the amendments to PSAK 109 'Financial Instruments' and PSAK 107 'Financial Instruments: Disclosures' pertaining to the Classification and Measurement of Financial Instruments. These amendments are issued with reference to the Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) issued by the International Accounting Standards Board (IASB).

The amendments introduce several significant modifications to the accounting treatment of financial instruments. The principal changes are outlined below:

- (a) clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- (b) clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- (c) add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement environment, social and governance (ESG) targets); and
- (d) update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

Impact and scope

(a) date of recognition and derecognition of financial assets and liabilities

The amendments clarify the date of recognition and derecognition of a financial asset or financial liability, as set out in the table below.

	Financial asset*	Financial liability
Date of recognition	The date the entity becomes party to the contractual provisions of the instrument	The date the entity becomes party to the contractual provisions of the instrument
Date of derecognition	The date the rights to cash flows expire or the asset is transferred	The settlement date (that is, the date the liability is extinguished or otherwise qualifies for derecognition)

* PSAK 109 provides an exception for regular way purchases or sales of financial assets that allows for recognition/derecognition using either trade date or settlement date accounting. That exception continues to apply and is not impacted by these amendments.

However, the amendments provide an optional exception relating to the derecognition of a financial liability. Applying the exception, an entity is permitted to derecognise a financial liability at an earlier date if the cash transfer takes place through an electronic payment system and specific conditions are met.

The conditions for the exception are that the entity making the payment does not have:

- the practical ability to withdraw, stop or cancel the payment instruction;
- the practical ability to access the cash; or
- significant settlement risk.

This exception does not apply to other payment methods such as cheques, and must be elected on a system-by-system basis.

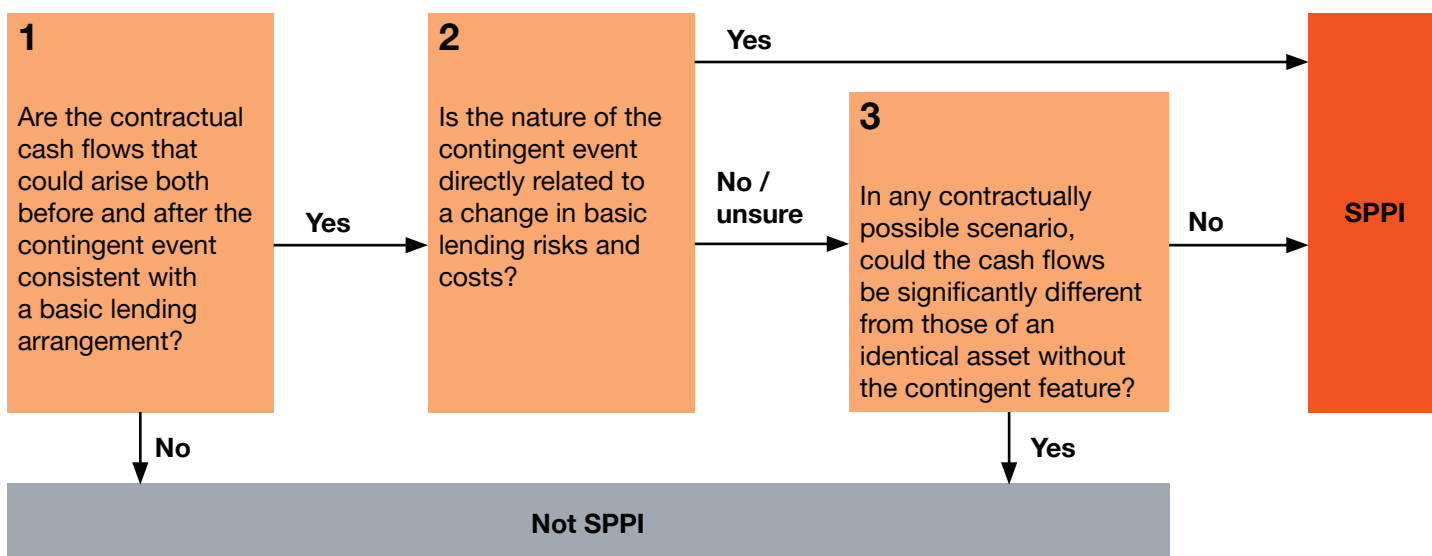
(b) assessing whether a financial asset meets the SPPI criterion

The amendments cover three areas that impact the SPPI assessment for financial assets:

- contractual terms that can change cash flows based on contingent events (for example, interest rates linked to ESG targets);
- non-recourse features; and
- contractually-linked instruments (CLIs).

Contractual terms that can change the timing or amount of cash flows based on contingent events

Over the past few years, there has been an increase in lending products with interest rate adjustments that incentivise customers to meet specified ESG targets. The amendments provide additional guidance on the SPPI assessment for financial assets with contractual terms that can change the timing or amount of contractual cash flows (summarised in the flowchart below).



Non-recourse features

When assessing whether a financial asset meets the SPPI criterion, an entity considers the various features of the contract, including any 'non-recourse' features. The amendments clarify that a financial asset has non-recourse features if the holder's right to receive cash flows is contractually limited to the cash flows generated by specified assets. The presence of such non-recourse features does not necessarily preclude the financial asset from meeting the SPPI criterion, but the features do need to be carefully considered.

Contractually-linked instruments (CLIs)

In some transactions, an issuer might prioritise payments using multiple CLIs that create concentrations of credit risk (known as 'tranches'). Identifying CLIs is important, because PSAK 109 has specific requirements for determining whether their cash flows meet the SPPI criterion.

The amendments clarify that a key element that distinguishes CLIs from other financial assets with non-recourse features is the waterfall payment structure that results in a disproportionate allocation of cash shortfalls between the tranches.

(c) new disclosures for borrowers and lenders about contingent events and their potential impact on contractual cash flows

The amendments introduce new disclosure requirements for instruments with contractual terms that can change cash flows because of events that are not directly related to changes in basic lending risks (such as certain loans subject to ESG targets).

These new requirements are applicable to financial assets measured at FVOCI as well as financial assets and liabilities measured at amortised cost, and include:

- a qualitative description of the nature of the contingent event;
- quantitative information about the possible changes to contractual cash flows — for example, the range of possible changes; and
- the gross carrying amount of financial assets and amortised cost of financial liabilities subject to these contractual terms.

(d) disclosures for FVOCI equity instruments

The amendments update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI), requiring entities to present separately the fair value gain or loss related to investments derecognised during the reporting period and the fair value gain or loss related to investments held at the end of the reporting period.

The amendments in (b) are most relevant to financial institutions, but the amendments in (a), (c) and (d) are relevant to all entities.

Applications and transitional provisions

Early application is permitted. An entity can elect to early apply only the amendments discussed in (b) and (c) above together, without yet applying the amendments discussed in (a) and (d).

Upon initial application of the amendments, an entity is not required to restate comparative information. Restatement is permitted only if it can be accomplished without relying on hindsight.

Amendments to PSAK 109 and PSAK 107 Contracts Referencing Nature-dependent Electricity

Issue

On 7 August 2025, the DSAK IAI issued amendments to PSAK 109 'Financial Instruments' and PSAK 107 'Financial Instruments: Disclosures' relating to contracts referencing nature-dependent electricity. The amendments to PSAK 109 and PSAK 107 are based on the amendments to IFRS 9 and IFRS 7 regarding Contracts Referencing Nature-dependent Electricity.

These amendments address the application of hedge accounting if contracts referencing nature-dependent electricity are designated as hedging instruments.

Contracts for electricity generated from nature-dependent sources such as wind or solar have become more prevalent in many entities' carbon mitigation journey.

These contracts are often structured as long-dated power purchase agreements ('PPAs') that either:

- provide the purchaser with an amount of electricity generated by the nature-dependent energy source at a fixed price per unit ('physical PPAs'), as well as environmental certificates; or
- contain an embedded swap that net settles the difference between a fixed-price cash flow and a floating-price cash flow related to an amount of nature-dependent electricity generated ('virtual PPAs' or 'VPPAs'), and deliver related environmental certificates.

A unique characteristic of these PPAs is that nature-dependent sources determine whether and how much electricity is generated by the referenced facility at any point in time. This has created challenges in practice in accounting for these contracts – particularly the criteria for the 'own use' exception in PSAK 109 for physical PPAs.

Impact and scope

The DSAK IAI has amended the 'own use' and hedge accounting requirements of PSAK 109, and it has added targeted disclosure requirements to PSAK 107. These amendments apply only to contracts that expose an entity to variability in the underlying amount of electricity because the source of its generation depends on uncontrollable natural conditions (such as the weather). These are described as 'contracts referencing nature-dependent electricity'.

These amendments are particularly relevant for entities acting as net buyers in applying the 'own use' exemption.

PwC observation

While these nature-dependent electricity contracts also typically transfer environmental attributes, often in the form of renewable energy certificates ('RECs'), the accounting for such RECs is not addressed by the amendments. The amendments only apply to the nature-dependent electricity component of these contracts.

The 'own use' amendments

Application guidance has been added, to assist an entity in determining whether certain contracts referencing nature-dependent electricity should be accounted for as 'own use' contracts. An entity should apply this guidance if:

- the contract obliges the entity to buy and take delivery of electricity when it is generated; as a result, the entity is exposed to the risk of being required to buy electricity during a delivery interval in which it cannot use the electricity; and
- the design and operation of the market in which the electricity is transacted under the contract require the entity to sell any amounts of unused electricity within a specified time; as a result, the entity has no practical ability to avoid selling any amounts of unused electricity.

Under the amendments, such a contract was entered into and continues to be held in accordance with the entity's expected electricity usage requirements if the entity has been, and expects to be, a 'net purchaser' of electricity for the contract period. An entity is a 'net purchaser' if it buys sufficient electricity to offset any sales of unused electricity in the same market in which the entity sold the electricity.

PwC observation

Under the amendments, when determining whether it is a 'net purchaser', an entity should consider reasonable and supportable information available without undue cost or effort about its past, current and expected future electricity transactions over a reasonable amount of time. We believe that an entity needs to apply judgement when determining what is a 'reasonable amount of time' considering the seasonal cycle of natural conditions and the entity's operating cycle.

The amendments do, however, provide a 12-month backstop. As a result, when an entity determines whether it has been a net purchaser, a 'reasonable amount of time' should not exceed 12 months.

The hedge accounting amendments*Variable nominal amount*

An entity designating a contract referencing nature-dependent electricity as a hedging instrument in a cash flow hedge relationship is permitted to designate the hedged item as a variable nominal amount of forecast electricity transactions that is aligned with the variable amount of nature-dependent electricity expected to be delivered by the generation facility as referenced in the hedging instrument.

PwC observation

We believe that the above provision will be helpful for an entity that has entered into a VPPA to hedge physical purchases. For example, where volumes to be purchased for operational needs are highly probable to equal or exceed those referenced in the hedging instrument, the volumes used in the hypothetical derivative will adjust to match the volumes in the hedging instrument. However, hedge ineffectiveness could arise due to other factors, such as timing and pricing differences.



Highly probable requirement

If the cash flows of the hedging instrument are conditional on the occurrence of designated forecast transaction, that forecast transaction is presumed to be highly probable.

PwC observation

PSAK 109 currently requires a forecast transaction to be highly probable for it to qualify as a hedged item. The amendments provide an exception to these general requirements for qualifying nature-dependent electricity contracts only.

For these contracts to which the exception applies, the amendments to PSAK 109 essentially supersede the Bulletin of Implementation Volume 9 'Application of the Highly Probable Requirement when a Specific Derivative is Designated as a Hedging Instrument'.

This provision will be helpful for a seller of nature-dependent electricity that has entered into a VPPA to hedge its physical sales of electricity at spot prices, because the seller will no longer be constrained in designating only a highly probable sales volume.

Apart from these above-mentioned amendments, the existing hedge accounting requirements of PSAK 109 remain unchanged where a contract referencing nature-dependent electricity is designated as a hedging instrument.

Disclosure requirements

Specific disclosure requirements apply to physical PPAs for nature-dependent electricity that are accounted for as 'own use' contracts applying the amendments. Key disclosures include:

- the contractual features that expose the entity to the variability of the underlying amount of electricity and to the risk that the entity could be required to buy electricity during a delivery interval in which it cannot use the electricity;
- the unrecognised contractual commitments, including the estimated future cash flows from buying electricity under these contracts; and
- the effect of the contracts on an entity's financial performance during the reporting period; this should include information for the reporting period about:
 - the total cost of purchases under the contracts;
 - how much of the purchased electricity was unused;
 - the proceeds of sales of unused electricity; and
 - the cost of purchases made to offset the sales of unused electricity.

For contracts referencing nature-dependent electricity designated as hedging instruments, an entity should disaggregate the information about terms and conditions of hedging instruments required by PSAK 107, so that this information is presented separately for contracts referencing nature-dependent electricity.

Applications and transitional provisions

The amendments to the own-use exemption in PSAK 109 are applied retrospectively, based on the facts and circumstances at the date of initial application. Comparative periods are not required to be restated, although the fair value option is available on transition.

The hedge accounting amendments are applied prospectively to new hedging relationships designated on or after the date of initial application. Pre-existing hedges can be de-designated and re-designated under the new guidance on adoption.



Revised PSAK 338: Business Combinations Under Common Control (BCUCC)

Issue

DSAK-IAI issued Revised PSAK 338 (2025) in December 2025, superseding PSAK 338 (2012). The revision introduces targeted enhancements to clarify the scope, measurement, presentation, derecognition, and disclosure requirements for business combinations under common control (BCUCC). These updates are designed to reduce diversity in practice and improve the quality of financial reporting for intra-group reorganisations.

Impact and scope

The revised standard primarily affects entities that are part of a group and are involved in a transfer of business within the group. The changes and their financial implications are summarised below:

Topic	Changes in Revised PSAK 338 (2025)
Scope	It excludes BCUCC carried out by investment entities acting as the receiving entity. Investment entities should measure subsidiaries at fair value through profit or loss in accordance with PSAK 109.
Definitions	Adds definitions for 'transferred business', 'receiving entity', and 'transferring entity'. It also redefines BCUCC and aligns the concept of 'control' with PSAK 110.
Measurement	It requires the receiving entity to measure the transferred business at the carrying amount in the transferring entity's books as at the transfer date, except if it is impracticable.
Presentation	It provides relief on retrospective presentation when providing the comparative information becomes impracticable.

Topic	Changes in Revised PSAK 338 (2025)
Derecognition	Transferring entity explicitly required to derecognise the transferred business at its carrying amount on the transfer date.
Disclosure	New paragraphs require additional disclosures where impracticability exceptions are applied and/or individually immaterial BCUCCs are collectively material.

PwC observation

One of the most significant clarifications concerns how the receiving entity measures the transferred business at the transfer date. Under Revised PSAK 338 (2025), the general requirement is to use the carrying amount as recorded in the transferring entity's financial statements, including any goodwill previously recognised by the transferring entity in relation to that business.

However, an exception is available when applying this general requirement becomes impracticable. The revised standard provides illustrative examples of circumstances when it becomes "impracticable", including:

- Financial information of the transferred business is unavailable in the transferring entity's records
- In determining receiving entity's measurement of the transferred business, significant estimations are required which are based on assumptions that
 - Requires the use of hindsight
 - Is dependent on the predecessor management's intentions; or
 - Is using significant unobservable inputs when remeasurement to fair value is required

Where the exception applies, the receiving entity measures the transferred business as recognised in the transferred business itself as of the transfer date.

Where retrospective presentation is impracticable — assessed with reference to the impracticability provisions of PSAK 208 — the receiving entity is permitted to reflect the pooling of interests prospectively from the date on which it obtained control of the transferred business. In such cases, no restatement of comparative information is required.

Applications and transitional provisions

An entity shall apply these amendments prospectively. Early application of the revised standard is permitted.

Appendix A – Forthcoming requirements

Title	Key requirements	Effective date
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 and ensure consistency in measurement. The standard outlines measurement methods for calculating impairment losses, providing relevant and reliable information to financial statement users	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.
PSAK 119 Subsidiaries without Public Accountability: Disclosures	PSAK 119 provides a simplified disclosure framework for eligible subsidiaries without public accountability, while requiring them to continue applying other PSAK requirements for recognition, measurement, and other non-disclosure aspects.	1 January 2027 and early adoption is allowed.
Amendment of PSAK 119 Subsidiaries without Public Accountability: Disclosures	The amendments to PSAK 119 streamline and refine the disclosure requirements for eligible subsidiaries by removing certain disclosure objectives and guidance, reducing selected disclosure requirements, and aligning management-defined performance measure disclosures with PSAK 118.	1 January 2027 and early adoption is allowed.
Amendment of PSAK 221 Translation to a Hyperinflationary Presentation Currency	The amendments to PSAK 221 amendments establish how entities should perform currency translation when the presentation currency is that of a hyperinflationary economy. They apply to entities whose functional currency is from a non-hyperinflationary economy but are translating their own results or those of a foreign operation into a hyperinflationary currency. The objective is to enhance the usefulness of financial information while being cost-effective, and to reduce inconsistencies in practice.	1 January 2027 and early adoption is allowed.

Title	Key requirements	Effective date
PSAK 401: Presentation and Disclosure of Sharia Financial Statements.	<p>PSAK 401 introduces significant changes to the presentation and disclosure of sharia financial statements. It establishes a structured format for the statement of comprehensive income, requiring classification of income and expenses into operating, investing, financing, corporate zakat, income tax, and discontinued operations.</p> <p>The standard mandates the presentation of specified subtotals, including operating profit or loss and profit or loss before financing, corporate zakat and income tax, as well as total profit or loss. These changes enhance consistency and improve comparability across entities. In addition, PSAK 401 requires disclosures of management-defined performance measures to communicate management's view of overall financial performance.</p>	1 January 2027
ISAK 403 Components of Financial Statements of Sharia Entities Applying SAK EP and SAK EMKM.	<p>ISAK 403 requires sharia entities applying the Indonesian Public Entity Accounting Standard (Standar Akuntansi Keuangan Entitas Publik/SAK EP) or Indonesian Accounting Standard for Micro, Small, and Medium Entities (Standar Akuntansi Keuangan Entitas Mikro, Kecil, dan Menengah/SAK EMKM) to present a statement of changes in social funds as part of a complete set of financial statements. The statement must be prepared in accordance with the presentation requirements set out in PSAK 401.</p>	1 January 2027
ISAK 335 Presentation of Financial Statements for Non-profit Oriented Entities	<p>The amendments to ISAK 335 refresh and align the presentation requirements for non-profit oriented entities applying SAK Indonesia by updating references and illustrative examples to reflect PSAK 118, introducing a statement of financial performance format that requires subclassification of operating, investing, financing, income tax, and discontinued operations within the surplus deficit section, and adding a statement of cash flows format consistent with PSAK 118 — under which operating surplus serves as the starting point for the indirect method.</p>	1 January 2027

Appendix B – Annual improvement

The annual improvements are limited-scope amendments intended to clarify wording, improve consistency, and correct minor unintended consequences in existing standards, without changing the underlying accounting principles.

Title	Key requirements
PSAK 107 Financial Instruments: Disclosures	<p><u>Gains or losses arising from derecognition</u> Updated an obsolete cross-reference.</p>
Application guidance PSAK 107 Financial Instruments: Disclosures	<p><u>Introduction</u> Added a statement clarifying that the guidance did not illustrate all the requirements in PSAK 107.</p> <p><u>Disclosure of deferred differences between fair value and transaction price</u> Improved its consistency with paragraph 28 of PSAK 107.</p> <p><u>Disclosure of credit risk</u> Simplified the wording.</p>
PSAK 109 Financial Instruments	<p><u>Derecognition of lease liabilities</u> Added a cross-reference to paragraph 3.3.3 of that Standard.</p> <p><u>Transaction price</u> Clarified the use of the term 'transaction price' in the Standard.</p>
PSAK 110 Consolidated financial statements	<p><u>Determination of 'de facto agent'</u> Removed an inconsistency between paragraph PP74 and paragraph PP73.</p>
PSAK 207 Cash flow statements	<p><u>Cost method</u> Removed a reference to the 'cost method', which was no longer defined in IFAS.</p>

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