

In brief: PSAK 413 and PSAK 414 – impairment of sharia financial assets



At a glance

- Dewan Standar Akuntansi Syariah – Ikatan Akuntan Indonesia (DSAS-IAI) has issued PSAK 413 and PSAK 414, effective for annual periods beginning 1 January 2027.
- Statement of Financial Accounting Standards (*Pernyataan Standar Akuntansi Keuangan/PSAK*) 413 introduces a unified expected-loss impairment model without discounting.
- PSAK 414 retains the incurred-loss model for Financial Accounting Standards for Private Entities (*Standar Akuntansi Keuangan Entitas Privat/SAK EP*) entities.
- These standards replace fragmented impairment requirements previously embedded across multiple PSAs.

Issue

Sharia Financial Accounting Standards (SAK) previously did not provide a single framework for measuring impairment of sharia financial assets, with requirements instead dispersed across various ‘aqd-specific’. Under PSAK 413 and PSAK 414, impairment measurement will align with sharia principles while bringing consistency across various ‘aqd’. These standards were issued by DSAS-IAI as part of a broader, multi-phase initiative to develop a comprehensive impairment framework for sharia financial assets. The overall project will be implemented in three stages:

- Stage 1 – impairment of sharia financial assets with contractual rights to receive specified cash flows and kafalah credit-risk guarantees.
- Stage 2 – impairment of non-dain productive assets, such as mudharabah and musyarakah investments, including mudharabah sukuk.
- Stage 3 – impairment of sharia non-financial assets, including ijarah assets.

PSAK 413 and PSAK 414 represent the implementation of Stage 1, forming the first unified guidance to replace previously fragmented impairment requirements across multiple ‘aqd-specific’ PSAs.

Who is affected?

Entities holding sharia financial assets with contractual rights to receive specified cash flows—including murabahah, istishna’, qardh, ijarah receivables, mudharabah/musyarakah receivables, wadiyah funds, sukuk, and kafalah guarantees—are within scope.



Key changes – PSAK 413

PSAK 413 introduces an expected losses model without consideration of time value of money for recognition and measurement, consolidating all impairment requirements under a single framework while adhering to sharia prohibitions on time-value-of-money-based provisioning.

1. Expected loss model

Impairment reflects unbiased estimations of outcomes using past events, current conditions, and reasonable forward-looking information. Contractual maturity limits the estimation of horizon.

2. General vs simplified approach

- General model: two-stage approach (12-month and lifetime expected losses).
- Simplified model: lifetime expected losses with no staging for applicable assets.

These principles are similar to the principle applied in PSAK 109, except for the application of discounting for the time value of money and number of staging.

Key changes – PSAK 414

PSAK 414 continues to apply an incurred-loss approach, under which impairment is recognised only when there is objective evidence that a loss event has occurred, based on either individual or collective assessment. While entities may use Probability of Default-Loss Given Default-Exposure at Default (PD-LGD-EAD) techniques in performing the analysis, the model remains historically driven. This absence of a forward-looking component is the key distinction from PSAK 413, whereas the other remeasurement principles are broadly consistent.

Presentation

Entities recognise impairment losses and reversals in profit or loss, except for assets measured at fair value through other comprehensive income (OCI).

Disclosure requirements

Both PSAK 413 and PSAK 414 require entities to provide disclosures that enable users to understand how impairment of sharia financial assets affects financial position and performance. The disclosures collectively ensure clarity on the measurement basis, underlying judgments, and the movement of impairment balances across reporting periods.

Effective date and transition

Under the current regulatory environment, entities apply the Financial Services Authority (*Otoritas Jasa Keuangan*/OJK)-prescribed provisioning framework, which typically groups exposures based on regulatory collectability classifications and assigns impairment percentages to each group. Once PSAK 413 becomes effective for periods beginning on or after 1 January 2027 (with early adoption permitted), this approach will transition to the accounting requirements under the new standard.

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