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Impact Analysis Of Indonesian Financial Accounting Standard Based On The IFRS Implementation For Financial Instruments In The Indonesian Commercial Bank

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Abstract

The article aim is to analyze the impacts of International Financial Reporting Standard adapting to performance of finance banking go public in Indonesia. The benefits of this research are usefulness for banking academic scientific people, management of banks, and public according to their interests. Population as an object in this research is all of commercial banks listed in Bank Indonesia website. The representative samples are 11 banks have been going public. Used data got from the statements of financial position from 2010 periods by used purposive sampling. The research methods first used classical assumption, and then the data from the 11 banks are compared. From the research it's showed that there are correlation from the implementation of PSAK 50 and 55 2006 revision that adapted from the IFRS for the financial instrument that there are showed at the allowance for the impairment losses.

Keywords: impacts, IFRS, instrument, finance;

1. Introduction

The presence of the banking industry is very important in raising funds from the public and then delivered back to the community, especially for business people, so the economy activity can run as expected to meet the product and service needs. With the competition level business banking services require increasingly complex business manager is constantly increasing with the level of transparency and accountability professionalism financial performance in order to compete on a global level. Another thing to do is how to minimize the various risks that will be encountered. For the risks that may occur can cause harm to the bank itself if it is not detected and managed properly. As is known, Statement of Financial Accounting Standards (SFAS) is a standard or norm that is used to prepare financial statements that the company has public accountability, it includes the corporate banking with corporate types that have public accountability because the report is given to the public. The statement of financial accounting standards is currently in the process of adopting full IFRS (International Financial Reporting Standard) with the year 2012 is the target of the adoption. In the year 2012 some of the Statement Financial Accounting Standards has come into effect. After the year 2012 for GAAP adjustment process must remain consistently performed, based on existing IFRS. There are institution that some who have adopted SFAS based on the IFRS

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standards, such as SFAS 50 revised 2006 on Presentation and Disclosure of Financial Instruments (PPIK) and SFAS 55 on Financial Instruments Recognition and Measurement Revenues.. As is known, that the revised SFAS conducted by the Financial Accounting Standards Board has touched some component of a financial instrument used by many banks. Implementation, contained in SFAS 50 and SFAS 55 that will be effective on January 1, 2010. Now in Indonesia there are 125 numbers of commercial banks. But in this research we got the conclusion that only 11 commercial banks in Indonesia which adapt the new accounting standards based on the IFRS implementation.

2.   Research Objective

The research Objective are:
1.   In order to explore whether there are differences in the presentation of the financial statements of national banks open in Indonesia before and after the adoption of Statement Financial Accounting Standard –based on the IFRS, from the period of 2009 until 2011
2.   To understand   the impact of adoption of IFRS on the financial performance of banks open in Indonesia.

Research Framework:

This research assumed a change in the value of financial assets of national banks open in Indonesia after the implementation of SFAS-based IFRS, with 2009 comparative period financial year, before the implementation of IFRS to GAAP-based 2010 after the adoption of IFRS-based GAAP (SFAS 50 and 55, revised 2006) .

3.   Research Result:

1.   Bank Current Account

Before   January 1st , 2010, the current accounts with the other banks are stated at the balance net of allowance for losses. Current accounts with Bank Indonesia are stated at the outstanding balance. Allowance for losses recognized on a Bank Indonesia Regulation number 8/2/PBI/2006, which dated January 30, 2006 . However, since January 1, 2010, the current accounts with other banks and Bank Indonesia after the initial acquired are measured at amortized cost using the effective interest method. Provision for measuring the value measured if there is indication of impairment using the impairment based on objective evidence of impairment could affect significant and insignificant. Individual assessment of the financial instruments carried on the assets   that assessed are considered significant by objective evidence. As for assets that are not classified in significant financial groups that have similar credit risk Characteristics risk assessed collectively. Then, the discounted cash flow methods (discounted cash flows) are used to calculate the allowance for impairment on an individual basis.

2.   Placement In Bank Indonesia

Placements with Bank Indonesia and other banks are investment funds in call money, fixed term deposits, time deposits and others. Prior to January 1, 2010, placements with other banks are stated at the balance after deducting the allowance for losses, according to the method of determining how to instrument current accounts with other banks. But after January 1, 2010, placements with Bank Indonesia and other banks are stated at fair value plus transaction costs directly when there is extra, and then measured at amortized cost using the effective interest rate method. Total placements with Bank Indonesia are stated at the outstanding balance net of unearned interest income

3.   Securities Traded

Marketable securities consist of securities trading (Securities), SBI (Bank Indonesia Certificate) and corporate bonds classified as held and recorded on the Balance Sheet report in accordance with the fair value traded. All profits or unrealized losses due to increases and decreases in the fair value are presented in the income statement in the current period consolidation. While the interest of the debt securities are recorded in the income statement in accordance

with the terms of the contract. Then the securities sold with a promise to repurchase (repo) is recognized for the agreed repurchase that less unamortized interest. Prior to January 1, 2010, securities held for trading are presented net of allowance for losses that are recognized by using methods such as those disclosed determination of the allowance for losses on financial instruments accounts with other banks and placements with other banks. The method of calculating interest expense used the straight-line method. However, since January 1, 2010, the reclassification of all securities traded and the classification of trading is not allowed. Amortization and interest expense calculation method used by the effective interest rate method.

4. **Derivative Financial Instruments**

Derivative financial instruments are included in foreign currency are recognized at fair value in the balance sheet at fair value determined based on market prices. And gains or losses on derivative contracts not designated for hedge adopted as the income statement in the current year. After January 1, 2010, all derivative instruments (including bills in foreign currencies) are recorded in the consolidated balance sheet at their fair values are determined based on market value in the current year.

5. **Acceptance Receivable**

In the normal course of banking business, banks usually provide financial guarantees as Letter of credit, bank guarantees and acceptances. Prior to January 1, 2010, the bill acceptance stated at values in Letters of Credit or which may be realized on L / C which accept . Acceptances receivable are presented after subtraction with allowance for losses. But since January 1, 2010, acceptance receivables are measured at amortized cost using the effective interest method less any allowance for impairment.

6. Loans

Prior to January 1, 2010, the amount of credit or loan balances are stated at gross loans net of allowance for losses is determined based on the evaluation of loans collectible . While the allowance is recognized by the debtor doubts categories deemed unable to pay. In this case the bank's assessment of the quality of productive and non-productive assets end of each year, management's evaluation of the business prospects, financial performance and ability to pay the assessments and recommendations of Bank Indonesia. But after January 1, 2010, the value of loans to customers, measured at amortized cost using the effective interest method less any allowance for reduced value. Amortization is calculated taking into account any discount or premium arising on acquisition and transaction costs that are integral to the effective interest rate. Amortization is recognized in the income statement. Allowance for loss on decline in value, be done if there is indication of impairment by using a valuation which is basically the same as those made to other financial instruments. Assessment categories are: classification current 1%, special 5%, 15% substandard, doubtful and loss 50% to 100%.

4. **Conclusion**

1.Various formats of financial statements of banking before the implementation of the new financial standards (IFRS), leading to an understanding of the differences between the various interested parties have caused the asymmetry of information between the parties of the management shareholders and also led to the possibility of misinterpretation.

2. In accordance with the study of the entire bank is open, the application of Statement of Financial Accounting Standards (SFAS) 50, revised 2006, on Disclosure and Presentation and FRS 55, revised 2006, on Recognition and Measurement of Financial Instruments, has been carried out since January 1st of 2010, the prospective.

3. Financial Accounting Standard Number 50 and 55, revised in 2006 that talk about financial instruments which was issued by Bank Indonesia on 21 September 2010, specialized in the creation of reserves for impairment losses (allowance for impairment) conducted on-balance sheet transactions productive and non-productive assets required for the formation of Allowance for Assets (PPA).

4. Since January 1, 2010, the value of loans to customers, measured at amortized cost using the effective interest method less any allowance for a reduction in value. Amortization is calculated taking into account any discount or premium arising on acquisition and transaction costs that are integral to the effective interest rate. Amortization is

recognized   in   the   income   statement.
6. Special to the allowance for impairment losses on loans, do if there is indication of impairment by using a valuation which is basically the same as those made to other financial instruments. Assessment categories are: classification current 1%, special 5%, 15% substandard, doubtful and loss 50% to 100%.
7. All instruments are assessed financial asset, such as demand deposits and marketable securities, are measured at amortized cost using the effective interest method. Then, the measured value measurement allowance if there is indication of impairment using the impairment based on objective evidence of impairment could affect significantly with objective evidence.
8. The results of a research of the entire financial asset instruments can be seen that the adjustments due to the application of Financial Accounting Standard number 50 and 55, which has been revised in 2006 had sufficient value because they have fulfilled the material with significant value which is considered sufficient as the establishment of reserves to cover losses during the application of IFRS in running 2010.

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