

THE IMPACT OF PSAK 73 IMPLEMENTATION ON LEASES IN INDONESIA TELECOMMUNICATION COMPANIES

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Abstract: This study investigates the impact of PSAK 73 implementation regarding Leases by Telecommunications Companies in Indonesia. This study employs a qualitative approach with content analysis. The basis of content analysis in this study is data and information sourced from the company's audited financial statements. The employed data is secondary data in companies' financial statements in the telecommunications sub-sector in 2019 and 2020, sourced from www.idx.co.id. Based on the availability of data, the sample employed in this study consists of 4 companies. This study concludes that the PSAK 73 implementation impacts an increase in asset and liability items. The increase in debt to asset ratio, debt to equity ratio can increase the cost of capital borne by the company, although on the other hand, the return on assets and the return on equity have increased. This study indicates that the companies need to mitigate the risks associated with implementing the newly enacted financial accounting standards. In addition, this study indicates that the Indonesian Chartered Accountants should consider the risks borne by companies related to the implementation of financial accounting standards in Indonesia.

Keywords: *Accounting Standards, Lease, Impact, Implementation.*

1. Introduction

Optimal asset management is an essential factor in supporting a company's business (Safitri et al., 2019). The addition of the number of assets is expected to increase the productivity of the company. In managing assets, the company can purchase the asset directly or enter into a lease agreement to obtain the management and benefits of an asset (Safitri et al., 2019). The company has consideration of the option of buying outright or leasing the asset. When deciding to buy directly, the company will have full management rights over the asset and some of the costs arising from ownership of the asset (onlinelearning.binus.ac.id, 2020). In addition to these costs, the company also has to bear depreciation costs and maintenance costs, and more capital to purchase these assets (onlinelearning.binus.ac.id, 2020).

Meanwhile, if the company decides to enter into a lease agreement, the company can save on capital used to purchase assets, flexible financing, minimize maintenance costs, and eliminate asset obsolescence (Kieso et al., 2019). In 2021, the development of the global leasing market is predicted to give a positive trend to \$1,355.3 Billion from \$1,185.7 Billion in 2020 with a compound annual growth rate (CAGR) of 14% (thebusinessresearchcompany.com, 2020). This increasing trend is due to companies reorganizing their operations and recovering from the impact of Covid-19, which previously

led to limited containment measures involving social distancing, remote work, and closure of commercial activities resulting in operational challenges (thebusinessresearchcompany.com, 2020). By 2025, the leasing market is predicted to grow to \$1836.4 Billion at a CAGR of 8% (thebusinessresearchcompany.com, 2020).

The development of leasing activity in Indonesia over the last five years since 2015 has increased (Financial Services Authority, 2019). In 2015, the total assets of financial institutions in Indonesia reached IDR 425.71 trillion and equity of IDR 96.01 trillion (Financial Services Authority, 2019). Meanwhile, in 2019 it increased by 20.05% and equity by 35.85%. This increase indicates that leasing developments have experienced significant growth (Financial Services Authority, 2019).

Along with the increase in leasing activities, there is a need for accounting standards that regulate leasing activities. The previous leasing activity standard has been regulated in PSAK 30 regarding leases. This standard provides the lessee and lessee the option to classify the lease as a finance lease or an operating lease. This classification is still considered very vulnerable and is considered unable to meet the needs of users of financial statements because it does not always provide an accurate representation of leasing transactions. Based on the Indonesian Accounting Standards Board in 2017, states that there is an estimated lease commitment of US\$3.3 trillion (DSAK IAI, 2017). There are 85% of these lease commitments that do not appear in the statement of financial position, making it difficult for investors and other stakeholders to obtain an accurate exhibit of the financial statements (DSAK IAI, 2017). On September 18, 2017, the Financial Accounting Standards Board of the Indonesian Chartered Accountants issued PSAK 73 on leases that adopted IFRS 16 and revoked PSAK 30 previously applicable (DSAK IAI, 2017).

Since January 1, 2020, PSAK 73 has been effectively established as a guideline for regulating leasing activities. It replaces PSAK 30 regarding Leases, ISAK 8 concerning Determining Whether an Agreement Contain a Lease, ISAK 23 concerning Operating Leases – Incentives, ISAK 24 concerning Evaluation of Multiple Substances Transactions Involving a Legal Form of Lease, and ISAK 25 concerning Land Rights (iaiglobal.or.id, 2020).

The main difference in PSAK 73 is from the lessee side, where the previous definition of the lease is known as the right to use the asset for the lessee, but according to PSAK 73, it provides additional effect to the lessee's right to control the rights to the leased asset. Substantially, most of all lease transactions are categorized as financial leases. Meanwhile, operating leases can only be recorded for lease transactions that meet two conditions: short term (under 12 months) and low value. These requirements will tighten the classification of operating lease transactions and will facilitate the classification of finance leases.

One of the companies that have implemented PSAK 73 is PT Garuda Indonesia Tbk. In its financial report, it is stated that the implementation of the PSAK increased assets originating from the addition of rights to use aircraft, equipment and equipment, hardware, vehicles, land and buildings, and infrastructure assets of USD 5.3 billion with an increase of 118.51% of Total Assets in 2019. In addition to the increase in asset accounts, the company also made adjustments to finance lease liabilities (cnbcindonesia.com, 2020).

The PSAK 73 implementation causes an increase in the value of the company's assets and liabilities, where the increase will also affect the company's operating performance and debt structure. The addition is caused by the company recording leasing activities as lease expenses and then changing them and appearing on the company's statement of financial

position as leased assets. Therefore, the PSAK 73 implementation provides appropriate financial information to improve the quality of management decisions. Leasing activity is essential in business activities. For example, a pioneering company will choose leasing activity because of limited capital. PSAK 73, which regulates leasing activities, will affect the issuer's financial statements. PSAK 73 requires lessees to change operating lease activities previously recognized into finance lease activities by recognizing right-of-use assets and lease liabilities. The decline in the firm value that will arise is a dilemma for the companies regarding the PSAK 73 implementation, and the significant difference in the value of leases classified as finance leases will provide information that is biased towards the financial statements.

Tjun & Rajagukguk (2013) concluded that PSAK 30 produces additional information on the company's share price. Idrus (2016) found that the PSAK 30 implementation had not reached the 100% conformity level with the existence of several criteria that have not been met, the indicator of the lease period is for most of the economic life, 75% of the estimated economic life of fixed assets while the leasing period applied by PT. Bumi Sarana Beton is 37.5% of the estimated economic life of the assets. Branswijck & Longueville (2011) suggested that the debt-to-equity ratio, return on assets, and current ratio is significantly affected by operating lease capitalization. Hagar & Djärv (2015) pointed out that all companies that use operating leases will to some extent, be affected by the amendment, although most of the Mid and Small Cap companies will not have a significant impact on the company's balance sheet. Haris & Rachman (2021) found that the company's operational activities use the financial lease method because, in the lease contract, the company states that there is a substantial transfer of all risks and benefits associated with asset ownership. Mashuri & Ermaya (2021) suggested that the impact of leasing capitalization results will result in material changes reported in the income statement and other comprehensive income and the statement of financial position. Sandi et al. (2020) concluded that the implementation is retrospective which requires a comparative restatement of leases in 3-period financial statements and must identify contracts, initial recognition, revaluation and lease payments, lease acquisition costs, types of leases, and lease extension options, which resulted in an increase in assets and liabilities at PT Unilever Indonesia Tbk. Ahalik (2019) concluded that PSAK 73 tightens operating lease requirements wherein the terms of finance lease classification become easier where the requirements for operating leases must meet all criteria, namely leases of short-term assets (less than or equal to 12 months) and low-value assets. If it does not meet these two criteria, it is automatically recognized as a finance lease.

Furthermore, Tirani (2018) suggested that the company's assets will increase by 115%, and equity will decrease by 80% if the cumulative retrospective method is applied. Safitri et al. (2019) concluded as a whole that the service industry experienced a very significant increase in the average solvency ratio and a very significant decrease in the average profitability ratio, followed by the mining and manufacturing industries. Kurniawan (2018) suggested that total assets and total liabilities increase while total equity decreases for shareholders. Öztürk & Serçemeli (2016) concluded that there is a change in the statement of financial position and financial analysis ratios of Pegasus Airline Company, namely an increase in the company's liabilities and assets, as well as a decrease in the company's equity. Khersiat (2020) concluded that there is no significant effect on accounting conservatism at Royal Jordanian Airlines. Morales-Diaz and Zamora-Ramirez (2018) concluded that the

implementation of IFRS 16 would significantly impact the balance sheets, leverage, and solvency ratios of companies quoted in Europe. However, this study does not show the same results for each business unit depending on the business unit's sector. Rosyid & Firmansyah (2021) implied that Telkom would be more effective and efficient if it carries out early PSAK 73 (2017) implementation because IFRS 16 has been implemented by Telkom since 2019.

This study investigates the impact of the PSAK 73 implementation on financial statements required to be implemented starting January 1, 2020. Assets and Liabilities are closely related to the lease made by the company. Safitri et al. (2019) reviewed the impact of early implementation of PSAK 73 on the average financial performance of companies in 2018. Sandi et al. (2020) discussed the impact that occurs on the early implementation of PSAK 73 and not the practical implementation of PSAK 73 since January 1, 2020, related to asset and liability items. At the same time, this study examines the impact of PSAK 73 implementation on items on the statement of financial position that includes asset and liability items using 2020 data and comparing them with asset and liability items based on previous financial accounting standards using 2019 data. Therefore, this study complements a review that is still rarely done in previous research, namely the impact of PSAK 73 implementation on leases. In 2020 in telecommunications sub-sector companies in Indonesia.

The data employed in this study are telecommunication sub-sector companies listed on the Indonesia Stock Exchange because these companies have significant leasing activities to support their business activities. Telecommunication Subsector Companies are capital-intensive companies, where about 67% of their total assets consist of fixed assets (Financial Report of PT. Telekomunikasi Indonesia Tbk Interim III, 2020). In addition to asset data submitted in the financial statements, the Telecommunication Subsector Company also has several asset lease contracts with large values and long terms. However, these expenditures are only submitted to the income statement and are classified as operational expenditures. Some of the company's Telecommunication Sub-Sector Company assets derived from leases, including tower leases, land rights, buildings, installations and transmission equipment, power supplies, and vehicles. Most of these contracts have a duration of more than one year, with an estimated proportion of 40-50% of the total fixed assets (Financial Report of PT. Telekomunikasi Indonesia Tbk Interim III, 2020).

This study is expected to contribute to completing the literature that reviews the impact of PSAK 73 on the financial statements of issuers of the telecommunications subsector in Indonesia. In addition, this research is expected to provide information for existing and potential investors in using accounting information, significantly change profitability and solvency ratios and provide an accurate representation of the financial statements published in making investment decisions in the capital market. This research is expected to improve financial accounting standards related to leasing activities for the Indonesian Chartered Accountants.

2. Literatur Review

Lease activity is one of the business activities carried out by many companies. A lease is an agreement between the lessor that gives the lessee the right to use the asset within an agreed period (PSAK 30). Business units have several advantages when conducting leasing activities, one of which is the use of assets to increase business by only incurring more

affordable costs than buying the asset. According to this study, the definition of a lease is an activity to obtain rights to certain assets used to support the company's operations.

The definition of a lease is an agreement stated in the contract agreement between the lessor and the lessee (Kieso et al., 2019). The agreement stipulates the rights and obligations of both the lessor and the lessee. The right in question is the lessee's right to use particular property, which the lessor owns for a certain period. For these activities, the lessee must make leasing payments during the lease term to the lessee.

IFRS 16 defines a lease as a contract, or part of a contract, that grants the right to use the asset (the underlying asset) for a specified period in exchange for a specified consideration. In 2019, IFRS 16 officially replaced the lease model regulated in IAS 17. IAS 17 provides the meaning of lease as an agreement where the lessor delivers to the lessee in exchange for payment of the right to use certain assets for an agreed period. The accounting standards governed by IAS 17 classify leases as finance leases and operating leases. Characteristics of a finance lease if there is a transfer of substantially all the risks and rewards incidental to ownership of the leased asset. Meanwhile, all other leases outside finance leases are classified as operating leases. IAS 17 gives stakeholders the freedom to record a lease transaction as an operating lease if there is no substantial transaction transfer.

To improve financial reporting transparency and meet the needs of users of financial statements, especially related to lease transactions, the IASB issued IFRS 16. IFRS 16 provides significant changes, especially in the implementation of lease transactions by lessees. IFRS 16 introduces the concept of control over activities where other than operating lease transactions (short-term lease <12 months) will be classified as finance leases and generate leased assets and lease payable accounts on the company's balance sheet.

The convergence of International Financial Reporting Standards (IFRS) in Indonesia began in 2008 when it was the first phase until 2012 (Ahalik, 2019). IFRS convergence is a manifestation of Indonesia's commitment as one of the G20 countries where the participating countries are committed to adopting IFRS (Ahalik, 2019). The G20 countries are developed and developing countries that contribute to the world economy at least 75%-85%, meaning that the G20 countries have led the world economy (Ahalik, 2019). The adoption of IFRS for G20 countries has made IFRS a global standard (Ahalik, 2019).

Before 2012, Indonesian accounting standards adhered to US GAAP (the United States Generally Accepted Accounting Principles - Generally Accepted Accounting Principles (PABU)) established by the Financial Accounting Standard Board (FASB). Then, since January 1, 2012, Indonesia adopted the Lease accounting standard and established PSAK 30. Along with the development of adjustments to the applicable leasing accounting standards and also supported by the issuance of IFRS 16 in 2016, the Financial Accounting Standards Board issued PSAK 73.

PSAK 73 on leases will replace PSAK 30 on Leases, ISAK 8 on Determining Whether an Agreement Contain a Lease, ISAK 23 on Operating Leases – Incentives, ISAK 24 on Evaluation of the Substance of Several Transactions Involving a Legal Form of Lease, and ISAK 25 on Rights to Soil (iaiglobal.or.id, 2020). The PSAK 73 implementation on leases is motivated by the difficulty of users of financial statements in obtaining an accurate description of the condition of assets and liabilities presented in a company's balance sheet (IAI, 2017). PSAK 73 provides substantial changes to the lessee accounting. PSAK 73 has a common objective: establishing the principles of recognition, measurement, presentation, and

disclosure of leases with the concept of a single accounting model for lessees. The principal arrangement requires the lessee to recognize a lease liability and a right-of-use asset based on the lease transaction entered into. PSAK 73 excludes several leases that do not use this standard but use other standards, namely PSAK 64 for leases for exploration or mining of minerals, oil, natural gas, and similar non-renewable resources, PSAK 69 for leases of biological assets, ISAK 16 for service concession agreements, PSAK 72 for intellectual property licenses, and PSAK 19 for rights owned by the lessee in the license agreement.

Based on PSAK 73, lessors classify leasing activities as operating leases or finance leases. The classification of finance leases is determined by several criteria (IAI, 2017). PSAK 73 categorizes these criteria into several conditions, namely if there is a transfer of substantially all the risks and rewards associated with ownership of the underlying asset, in leasing activities, there is a transfer of ownership of the underlying asset to the lessee at the end of the lease term, the lessee has the option to purchase the underlying asset at a price which is estimated to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably sure, at the date of inception, that the option will be exercised, the lease term is the more significant part of the economic life of the underlying asset even if ownership is not transferred, at the date of inception, the value the present lease payments at least include substantially all of the fair value of the underlying asset and the underlying asset is remarkable so that only the lessee can use it without significant modification (IAI, 2017). A lease is classified as an operating lease if it does not transfer all the risks and rewards incidental to ownership of the underlying asset (IAI, 2017) substantially.

Following the type of classification, finance leases and operating leases have different recognition, measurement, and disclosure methods in the financial statements. In a finance lease, the lessee recognizes the assets held in the finance lease in the financial statement's position and presents it as a receivable value equal to the net investment in the lease at the contract's inception. In addition to recording right-of-use assets, the Lessee also recognizes a lease liability at the commencement date (IAI, 2017).

Measurement of the value of the lease on a finance lease presents different accounting activities between the lessee and the lessee. For the lessee, the value of the lease receivable consists of fixed payments (including substantially fixed payments as described in paragraph B42), less any incentives payable, variable lease payments that depend on an index or interest rate, which are initially measured using an index or interest rate. Interest at inception date, residual value guarantees provided to the lessee by the lessee, a party related to the lessee, or a third party unrelated to the lessee who is financially capable of performing its obligations under the security, the exercise price of the call option if the lessee is reasonably confident to exercise the option (which is assessed taking into account the factors described in paragraph B37) and the payment of penalties for terminating the lease, if the lease reflects that the lessee exercises an option to terminate the lease. The value of the lease receivables will be reported in the company's statement of financial position in the asset account. In addition to trade receivables, the lessee will record the interest income that arises and is reported in the Company's income statement (IAI, 2017).

If the lessee recognizes the existence of trade receivables that arise, the lessee recognizes the emergence of right-of-use assets and liabilities for the lease agreement that occurred. Right-to-use assets will be calculated at cost, which consists of the initial measurement of the

lease liability, lease payments made on or before the commencement date, less any leasing incentives received initial direct costs incurred by the lessee, and estimated costs to be incurred by the lessee, in dismantling and removing the underlying asset, restoring the place where the asset is located or restoring the underlying asset to the condition required by the terms and conditions of the lease unless such costs are incurred to produce the inventory. After measuring the right-of-use assets and liabilities, the lessee will report the right-of-use assets and lease liabilities on the Company's statement of financial position. With the increase in the company's assets, on the lease agreement, the lessee recognizes a depreciation expense in the income statement and interest expense arising from the lease liability (IAI, 2017).

In contrast to a finance lease, at the inception of the lease contract, the lessee recognizes lease payments as an expense in the current period while the lessee recognizes leasing income for the lease transactions entered into and recognizes depreciation expense on the assets leased to the lessee. Leasing expenses will be measured based on the agreed value or fair value agreed between the lessee and the lessee. While leasing income is measured based on the agreed value or fair value agreed between the lessee and the lessee. In operating leases, there is no transfer of ownership and control of the leased assets so that the lessee will continue to recognize depreciation expense on the leased assets and is calculated based on the policies provided by the lessor Company. In its financial statements, the lessee will record the operating lease expense in the income statement, and the lessee will report the depreciation expense and leasing income on the income statement (IAI, 2017).

3. Research Method

This research employs a content analysis approach. According to Hsieh & Shannon (2005), content analysis is a qualitative research technique to interpret the meaning of text data. The basis of content analysis in this study is data and information sourced from the company's audited financial statements. The results of the subsequent analysis are used as the basis for conducting further analysis. The data in this study uses secondary data in companies' financial statements in the telecommunications sub-sector in 2019 (not yet implemented PSAK 73) and 2020 (already implementing PSAK 73) sourced from www.idx.co.id. Based on the availability of data, the sample that can be employed in this study consists of 4 companies, PT XL Axiata Tbk, PT Telkom Indonesia (Persero) Tbk, PT Smartfren Telecom Tbk, PT Indosat Tbk.

4. Results and Discussion

4.1 Impact of the Implementation of PSAK 73 on the Company's Statement of Financial Position

PSAK 73 is an accounting standard that regulates leasing activities. This standard replaces PSAK 30, which was previously considered unable to present corporate lease transactions properly. This change in lease accounting standards also affects the company's statement of financial position because PSAK 73 requires the lessee to recognize right-of-use assets, which will affect the value of the asset item, and recognize a lease liability that will affect the value of the asset-liability item. The impact on asset and liability items will also impact the company's statement of financial position. Below are details of the impact of the PSAK 73 implementation on the statement of financial position.

1. PT. Telekomunikasi Indonesia Tbk (TLKM)

Based on the 2020 annual financial report data published by PT. Telekomunikasi Indonesia Tbk, there is a change in standards for the PSAK 73 implementation. The company implements PSAK 73 on January 1, 2020, using a modified retrospective approach by recognizing the cumulative impact of the initial PSAK 73 implementation as an adjustment to the opening balance of equity on January 1, 2020. Thus the comparative data for 2019 is not restated and presented following previous standards and related interpretations.

Based on the Notes of the 2020 Financial Statements data, the company explains the accounts that impact the accounting standard PSAK 73. The implementation of this accounting standard has a significant impact on the Assets and Liabilities of the 2020 Annual Financial Statements of PT. Telekomunikasi Indonesia Tbk. (Table 1)

Table 1
Comparison of Statement of Financial Position Before and After PSAK 73
Implementation PT. Telekomunikasi Indonesia Tbk

Statement of Financial Position (In Billions of Rupiah)	For the year ended December 31, 2020 (Before)	For the year ended December 31, 2020 (After)	Increase (Decrease) %
Current Asset	41.583	46.503	11,83%
Non-Current Asset	164.891	200.440	21,56%
Total Aset	206.474	246.943	19,60%
Current Liabilities	55.850	69.093	23,71%
Non-Current Liabilities	34.024	56.961	67,41%
Total Liabilities	89.874	126.054	40,26%
Total Equity	116.600	120.889	3,68%
Total Liabilities dan Equity	206.474	246.943	19,60%

(Source: Annual Financial Report TLKM 2020)

From the comparative presentation of the 2020 annual financial report data, there is an increase in assets and liabilities of 19.6% and 40.26%, respectively. The increase in asset accounts is dominated by an increase in non-current assets, recognizing a new account, namely right-of-use assets. The same situation also occurs in liability items affected by the increase in long-term liabilities due to recognizing a new account, namely the lease liability account. Details of the recognition of right-of-use assets and lease obligations can be seen in Table 2 below.

Table 2
Comparison of the Statement of Financial Position of right-of-use asset accounts and lease liabilities Before and After the PSAK 73 Implementation in PT. Telekomunikasi Indonesia Tbk

Statement of Financial Position (In Billions of Rupiah)	Before PSAK 73 December 31, 2020	After PSAK 73 December 31, 2020
Right Of Use Asset		
Land	0	4.100
Building	0	568
Equipment and Transmission Installation	0	12.912

Power Supply	0	441
Vehicle	0	535
Etc	0	10
Total	0	18.566
Liabilities		
Lease Liabilities	0	15.617

(Source: Annual Financial Report TLKM 2020)

The PSAK 73 implementation has a significant effect on the financial statements of PT. Telekomunikasi Indonesia Tbk. It can be seen from the increase in the right to use assets and lease obligations. Rights to Use Assets of the company after PSAK 73 increased by Rp18,566 billion, and leasing obligations increased by Rp15,617 billion. The difference in the value of the right-of-use asset account and the lease liability account is because right-of-use assets are measured at cost, less accumulated amortization and impairment losses, and are adjusted for each remeasurement of the lease liability. The cost of right-of-use assets includes the amount of lease liability recognized, initial direct costs incurred, restoration costs, and lease payments made on or before the commencement date, less any lease incentives received.

2. PT XL Axiata Tbk (EXCL)

PT XL Axiata Tbk implemented PSAK 73 effectively for the financial year starting on January 1, 2020. The implementation of changes in accounting standards and interpretations of leasing accounting standards, which became effective as of January 1, 2020, is relevant for PT XL Axiata Tbk and causes significant changes, and have a material impact on the number of Assets and Liabilities reported in the 2020 annual financial statements. The impact on the financial statements is in the addition of assets and liabilities, as shown in table 3.

Table 3
Comparison of Statement of Financial Position Before and After PSAK 73
Implementation
in PT. XL Axiata Tbk

Statement of Financial Position (In Millions of Rupiah)	For the year ended December 31, 2019 (Before)	For the year ended December 31, 2020 (After)	Increase (Decrease) %
Current Asset	7.145.648	7.571.123	5,95%
Non-Current Asset	55.579.594	60.173.674	8,27%
Total Aset	62.725.242	67.744.797	8,00%
Current Liabilities	21.292.684	18.857.026	-11,44%
Non-Current Liabilities	22.310.592	29.750.405	33,35%
Total Liabilities	43.603.276	48.607.431	11,48%
Total Equity	19.137.366	19.121.966	-0,08%
Total Liabilities dan Equity	62.725.242	67.744.797	8,00%

(Source: Annual Financial Report EXCL 2020)

Based on Table 3, some items are affected, an increase in asset and liability items by 8% and 11.48% compared to the previous year's financial statements. The increase in asset accounts is dominated by an increase in non-current assets, recognizing right-of-use asset accounts. The same situation also occurs in liability items affected by an increase in long-term liabilities, one of the components of which is the recognition of a lease liability account, as shown in Table 4.

Table 4
Comparison of the Statement of Financial Position of right-of-use asset accounts and lease liabilities Before and After the PSAK 73 Implementation in PT. XL Axiata Tbk

Statement of Financial Position (In Billions of Rupiah)	Before PSAK 73 (2019)	After PSAK 73 (2020)	Adjustment
Right Of Use Asset:			
Land	-	289.135	289.135
Building		288.381	288.381
Network Equipment	13.476.685	20.405.425	6.928.740
Total	13.476.685	20.982.941	7.506.256
Lease Liabilities:			
Current	1.997.488	4.666.545	2.669.057
Non-Current	12.122.370	19.613.020	7.490.650

(Source: Annual Financial Report EXCL 2020)

Table 4 presents the amounts related to leases following the statement of financial position as of December 31, 2020, and 2019. The increase in the number of right-of-use assets of the company is obtained through the reclassification of prepaid expenses and the recognition of leases previously recognized as operating leases at the beginning of the period and rights assets. In addition, the Company's lease liabilities increased from the recognition of lease liabilities previously recognized as operating leases and the reclassification of accrued operating lease expenses as well as additional use rights assets during the year ended 31 December 2020.

3. PT. Smartfren Telecom Tbk (FREN)

The adoption of PSAK 73 on leases, which is effective as of January 1, 2020, is relevant for the company and causes significant changes to the company's accounting policies and has a material impact on the amounts reported in the 2020 annual financial statements. Assets and Liabilities as Table 5.

Table 5
Comparison of Statement of Financial Position Before and After PSAK 73 Implementation in PT. Smartfren Telecom Tbk

Statement of Financial Position (In Rupiah)	For the year ended December 31, 2019 (Before)	For the year ended December 31, 2020 (After)	Increase (Decrease) %
Current Asset	1.774.596.661.176	2.646.319.224.796	49,12%
Non-Current Asset	25.875.865.517.163	36.037.957.321.280	39,27%
Total Aset	27.650.462.178.339	38.684.276.546.076	39,90%
Current Liabilities	6.119.936.082.173	8.417.955.655.404	37,55%
Non-Current Liabilities	8.795.039.298.147	17.900.388.499.822	103,53%
Total Liabilities	14.914.975.380.320	26.318.344.155.226	76,46%
Total Equity	12.735.486.798.019	12.365.932.390.850	(2,9%)
Total Liabilities dan Equity	27.650.462.178.339	38.684.276.546.076	39,90%

(Source: Annual Financial Report FREN 2020)

Based on the statement of financial position as of December 31, 2020, and 2019, there is an increase in asset and liability items by 39.9% and 76.46%, respectively. The increase in asset accounts is dominated by an increase in non-current assets, recognizing right-of-use

asset accounts. The same situation also occurs in liability items affected by an increase in long-term liabilities, recognizing a lease liability account. The details of the recognition of right-of-use assets and lease liabilities are in table 6.

Table 6
Comparison of the Statement of Financial Position of right-of-use asset accounts and lease liabilities Before and After the PSAK 73 Implementation in PT. Smartfren Telecom Tbk

Statement of Financial Position (In Rupiah)	For the year ended December 31, 2019 (Before)	For the year ended December 31, 2020 (After)	Adjustment
Right Of Use Asset:			
Telecommunications infrastructure	2.950.832.072.381	10.502.190.130.453	7.551.358.058.072
Buildings and Infrastructure	0	23.100.862.433	23.100.862.433
Total	2.950.832.072.381	10.525.290.992.886	7.574.458.920.505
Lease Liabilities:			
Current	231.976.439.532	1.941.670.124.325	1.709.693.684.793
Non-Current	915.868.023.620	6.543.746.709.017	5.627.878.685.397
Total	1.147.844.463.152	8.485.416.833.342	7.337.572.370.190

(Source: Annual Financial Report FREN 2020)

After implementing the accounting standard PSAK 73, the right to use assets increased significantly. The increase in the right-of-use asset account represents the reclassification of financial assets in early 2020 into right-of-use assets and the addition of the recognition of leases previously recognized as operating leases and the reclassification of prepaid expenses as well as the addition of lease activities in 2020 which are classified as finance lease activities. The increase in the lease liability account represents the recognition of lease liabilities previously recognized as operating leases and reclassification of accrued operating lease expenses, and an increase in financing lease activities in 2020.

4. PT. Indosat Tbk (ISAT)

PT. Indosat Tbk carried out early PSAK 73 effectively for the financial year starting on January 1, 2019. The implementation of PSAK 73 provided changes to the company's accounting policies and had a material impact on the amounts reported in the 2019 annual financial statements. By implementing PSAK 73, The reported material impact on the financial statements occurs in the asset and liability accounts following table 7.

Table 7
Comparison of Statement of Financial Position Before and After PSAK 73 Implementation in PT. Indosat Tbk

Statement of Financial Position (In Millions of Rupiah)	For the year ended December 31, 2018 (Before)	For the year ended December 31, 2019 (After)	Increase (Decrease) %
Current Asset	7.906.525	12.444.795	57,40%
Non-Current Asset	45.233.062	50.368.205	11,35%
Total Aset	53.139.587	62.813.000	18,20%
Current Liabilities	21.040.365	22.129.440	5,18%

Non-Current Liabilities	19.962.975	26.976.367	35,13%
Total Liabilities	41.003.340	49.105.807	19,76%
Total Equity	12.136.247	13.707.193	12,94%
Total Liabilities dan Equity	53.139.587	62.813.000	18,20%

(Source: Annual Financial Report ISAT 2019)

Table 8
Comparison of 2019 and 2020 Financial Position Statements After the PSAK 73 Implementation in PT. Indosat Tbk

Statement of Financial Position (In Millions of Rupiah)	For the year ended December 31, 2019 (Before)	For the year ended December 31, 2020 (After)	Increase (Decrease) %
Current Asset	12.444.795	9.594.951	(22,90%)
Non-Current Asset	50.368.205	53.183.789	5,59%
Total Aset	62.813.000	62.778.740	(0,05%)
Current Liabilities	22.129.440	22.658.094	2,39%
Non-Current Liabilities	26.976.367	27.207.250	0,86%
Total Liabilities	49.105.807	49.865.344	1,55%
Total Equity	13.707.193	12.913.396	(5,79%)
Total Liabilities dan Equity	62.813.000	62.778.740	(0,05%)

(Source: Annual Financial Report ISAT 2020)

Based on the data in table 7, a comparison of the position of the 2018 financial statements before the implementation with the 2019 financial statements after the implementation of PSAK 73 is presented. The position of the financial statements in table 7 shows that the impact that occurs after the PSAK 73 implementation is very significant on assets and liabilities. A significant increase occurred in total assets and total liabilities. Compared to table 8, which presents the 2019 statement of financial position after the implementation and the financial statement position in 2020 after the PSAK 73 implementation, the values of assets and liabilities are less different. The increase in conditions before PSAK 73 implementation (2018) and after the PSAK 73 implementation (2019) is due to recognizing the asset account's right-to-use asset account and recognizing the lease liability account in the asset asset-liability account. The details of the recognition of right-of-use assets and lease liabilities are shown in Table 9.

Table 9
Comparison of the Statement of Financial Position of right-of-use asset accounts and lease liabilities Before and After the PSAK 73 Implementation in PT. Indosat Tbk

Statement of Financial Position (In Millions of Rupiah)	Before implementation Dec. 31, 2018	After implementation Dec. 31, 2019	Adjustment 2018 and 2019	After implementation Dec. 31, 2020	Adjustment 2019 and 2020
Right Of Use Asset:					
Support Asset	5.528.225	10.673.989	5.145.764	14.262.963	3.588.974
IT	772.097	916.029	143.932	1.154.634	238.605
Transmission	127.145	683.219	556.074	694.122	10.903
Fixed Access	0	44.053	44.053	997.684	953.631
Total	6.427.467	12.317.290	5.889.823	17.109.403	4.792.113
Lease Liabilities:					
Current	704.739	1.853.368	1.148.629	2.230.286	376.918
Non-Current	2.811.189	6.647.910	3.836.721	9.579.798	2.931.888
Total	3.515.928	8.501.278	4.985.350	11.810.084	3.308.806

(Source: Annual Financial Report ISAT 2019 & 2020)

By implementing this standard starting January 1, 2019, the company's right to use assets at the end of the period has increased. The increase consisted of reclassification of prepaid expenses, recognition of leases previously recognized as operating leases, and assets related to restoration liabilities amounting to additional leasing activities in 2019. The company's lease liabilities also increased from an increase at the beginning of the year consisting of recognition of lease liabilities previously recognized as operating leases and reclassification of accrued operating lease expenses and an increase in lease liabilities in 2019 due to the addition of lease activities in 2019.

Table 10
Summary of The Statement Of Financial Position Of Each Company
Before and After the PSAK 73 Implementation

Statement of Financial Position (In Billions of Rupiah)	Asset		Liabilities		Equity	
	Before	After	Before	After	Before	After
PT. Telkom Indonesia Tbk	206.474	246.943	89.874	126.054	116.600	120.889
PT. XL Axiata Tbk	62.725	67.745	43.603	48.607	19.137	19.122
PT. Smartfren Telecom Tbk	27.650	38.684	14.915	26.318	12.735	12.366
PT. Indosat Tbk	53.140	62.813	41.003	49.106	12.136	13.707

(Source: Annual Financial Report Telecommunication Subsector)

Based on Table 10, information is obtained that the new lease accounting implementation affects the statement of financial position of each issuer of the telecommunications subsector. All Telecommunication Sub-Sector Companies experienced an increase in asset and liability accounts. The issuer that has the most impact on asset and liability items is PT. Smartfren Telecom Tbk, 39.90% and 76.46%. It is followed by PT Telekomunikasi Indonesia Tbk, which experienced changes in assets and liabilities of 19.60% and 40.26%, respectively. At the same time, PT Indosat Tbk experienced changes in assets and liabilities by 18.20% and 19.76%, respectively. Furthermore, PT XL Axiata Tbk experienced changes in assets and liabilities by 8.00% and 11.48%, respectively. These research results align with the analysis of IFRS 16 (IASB, 2017), which suggests that implementing this new lease accounting standard will impact the increase in asset and liability items in the company's statement of financial position.

Based on the PSAK 73 implementation review for each company in the telecommunication sub-sector, information is obtained that companies experienced a significant increase in the statement of financial position in assets and liabilities items. This increase is due to the classification of leases that were previously classified as operating leases into finance leases so that the lease transactions must be recognized in the statement of financial position under assets and liabilities items. This study confirms the findings of Ozturk and Sercemeli (2016) and Kurniawan (2018).

4.2 Analysis of Operating Performance and Debt Structure Due to the Implementation of PSAK 73

Adopting new accounting standards related to leases has affected the assets and liabilities and the Telecommunications subsector companies' equity. The effect on assets, liabilities, and equity on the companies' financial statements also affects the company's financial ratios. The

ratios that impact PSAK 73 on leases are the debt structure ratio and the operating performance ratio. The solvency ratio is a ratio that measures how much of a company's assets are funded by debt. The profitability ratio shows the level of return or gain (profit) compared to sales or assets. Table 11 summarizes the ratios that impact the implementation of PSAK 73, Debt to Asset Ratio, Debt to Equity Ratio, Return on Asset Ratio, Return on Equity Ratio.

Table 11
Summary Of Financial Ratios Of Each Company Before And After The PSAK 73
Implementation

Company Financial Ratio	Debt to Asset		Debt to Equity		Return on Asset		Return on Equity	
	Before	After	Before	After	Before	After	Before	After
PT. Telkom Indonesia Tbk	47,00%	51,05%	88,66%	104,27%	12,47%	11,97%	23,53%	24,45%
PT. XL Axiata Tbk	69,51%	71,75%	227,84%	254,20%	1,14%	0,55%	3,72%	1,94%
PT. Smartfren Telecom Tbk	53,94%	68,03%	117,11%	212,83%	-7,91%	-3,94%	-	-12,32%
PT. Indosat Tbk	77,16%	78,18%	337,86%	358,25%	-3,92%	2,60%	-	11,89%
Rata-rata	61,90%	67,25%	192,87%	232,39%	0,44%	2,79%	-1,78%	6,49%

(Source: Annual Financial Report Telecommunication Subsector 2019 & 2020)

Table 11 shows the financial solvency ratios and profitability ratios in 4 companies in the telecommunication subsector companies. The financial solvency ratio that has the most significant impact on the implementation of PSAK 73 is the debt to equity ratio, while the debt to asset ratio has not had an enormous impact on the change. This is because lease transactions with the new accounting standards must be recognized in the statement of financial position, especially the company's assets and liabilities, thereby increasing the value of asset and liability accounts. In contrast, equity accounts tend not to affect. The increase in assets and liabilities is due to companies in the telecommunication sub-sector having a reasonably significant (Long-term) finance lease commitment and most telecommunication sub-sector companies conducting leasing activities such as leasing towers, cable networks, and even other fixed assets to support the company's operations. The debt to equity ratio is one of the critical financial ratios for decision-making for users of financial statements. Based on Table 11, information is obtained that each of these Entities has experienced a significant increase in liabilities and affects the composition of debt which is greater than the amount of capital owned by the company.

The increase in asset and liability accounts also affects the ratios that use asset and liability accounts in calculating ratios. This increase causes the overall debt to equity ratio of the company to experience a significant increase. The debt to equity ratio measures the ratio of the amount of debt to the company's equity. The increase in the debt to equity ratio is in line with Ozturk and Sercemeli (2016) and Kurniawan (2018). The increase in this ratio

explains that the company obtains more corporate funding through debt than the owner's capital.

The PSAK 73 implementation also impacts the debt to asset ratio, which measures the debt ratio to the company's total assets. All companies in the telecommunications subsector experienced an increase in the ratio of debt to assets. Increasing the debt to equity and debt to asset ratios must concern the companies because creditors and investors are more concerned with companies with a smaller debt ratio to provide higher guarantees for funds that creditors and investors have invested.

The adoption of PSAK 73 also affects the company's profitability ratios. Based on Table 11, information is obtained that there is an increase in the ratio of return on assets and return on equity of the companies due to an increase in assets followed by an increase in income on the performance of the companies. On the other hand, the decrease in return on assets and return on equity on the companies is due to the increase in assets that is not in line with the increase in the companies' income. In contrast to the debt structure ratio, the operating performance ratio tends to give varying results to the telecommunications sub-sector companies because the determination of the operating performance ratio uses the company's net income, and in calculating this ratio, the company's net income does not have much impact on the implementation of the new lease accounting.

5. Conclusion, Limitation, and Implication

The adoption of PSAK 73 has an impact on the Company's statement of financial position because the companies experienced an increase in asset and liability accounts. The company that has the most impact on asset and liability items respectively is PT. Smartfren Telecom Tbk, PT Telekomunikasi Indonesia Tbk, PT Indosat Tbk, PT XL Axiata Tbk. An increase in assets and liabilities will encourage an increase in financial ratios related to operating performance and debt structure. On average, the telecommunication subsector company, debt to asset ratio increased by 5.35%. This ratio is in line with the increase in the debt to equity ratio of 39.52%. In addition to the solvency ratio, the operating performance ratio has also increased. On average, the company experienced an increase in the ratio of return on assets by 2.35% and return on equity by 8.27%.

This study has limitations. The data and information only employ telecommunication sub-sector companies listed on the Indonesia Stock Exchange, so that this study cannot describe the ideal conditions for all companies in Indonesia. Future research can employ other sectors to compare the results with the results of this study or more data to obtain better research results. This study indicates that the companies should mitigate the risks associated with PSAK 73, significantly increasing the debt structure. The increase in the debt ratio will also lead to an increase in the cost of capital by the company, although, on the other hand, there is an increase in the company's profitability. In addition, this study is expected to provide an overview of the PSAK 73 implementation and additional information in investing for investors and creditors, especially in the telecommunications sub-sector, to make investment decisions. The results of this study are also expected to be helpful for the Indonesian Chartered Accountants related to increasing the reliability of the implementation of accounting standards for leasing activities so that the implementation of accounting standards in Indonesia is expected to reduce the risks borne by the company in its implementation.

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