

Analysis of the Implementation of PSAK 1 Concerning the Presentation of Financial Statements in Construction Companies in Indonesia

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Abstract

This study examines the implementation of PSAK 1 in the financial statements of PT Adhi Karya (Persero) Tbk. It focuses on analyzing the structure and classification of key financial statement elements, including assets, liabilities, revenues, and expenses. Using a qualitative descriptive approach, this research employs content analysis of the company's annual reports and financial statements. The findings indicate that PT Adhi Karya's financial statements comply with PSAK 1 standards, including transparency, relevance, and comparability of financial data. However, challenges remain in managing high operating expenses, particularly in short-term liabilities, which require enhanced liquidity management strategies. The study recommends improving the disclosure of operating expenses, liquidity strategies, and the impact of long-term financing in the financial statement notes to support more informed decision-making by stakeholders.

Keywords: PSAK 1, PT Adhi Karya (Persero) Tbk, Financial Statements.

INTRODUCTION

The presentation of financial statements plays a crucial role in creating transparency and accountability for stakeholders, including investors, creditors, and regulators. With increasing economic globalization, uniform reporting standards, such as International Financial Reporting Standards (IFRS), facilitate comparability between companies across countries. This supports the efficiency of global capital markets by reducing uncertainty in financial decision-making. Standards such as PSAK 1 in Indonesia, adopted from IFRS, establish guidelines for the presentation of high-quality financial statements to ensure that the information presented is relevant and accurate.

In Indonesia, the implementation of PSAK 1 is highly relevant given local challenges in presenting financial statements, including the varying levels of adoption and understanding among business actors. As a large state-owned enterprise, PT Adhi Karya (Persero) Tbk has a significant responsibility to implement PSAK 1 appropriately. Presenting financial statements in accordance with PSAK 1 is not only a legal obligation but also reflects good corporate governance, given the company's influence on national infrastructure development.

The latest revisions and amendments to PSAK 1 in 2021, which changed several definitions and clarified accounting policies, require adjustments in the preparation of financial statements to remain relevant and in accordance with international standards. This research is crucial to identify the extent to which PT

Adhi Karya has implemented PSAK 1 in its financial statements and to evaluate the impact of compliance with this standard on improving the transparency, comparability, and quality of the financial information presented. This urgency arises from the need for reliable information for economic decision-making, particularly in the construction sector, which plays a significant role in national infrastructure development.

Financial statements are the final result of all business transactions recorded and summarized by a company. Financial statements provide a comprehensive overview of a company's financial condition. To ensure reliable information, financial statements must be prepared in accordance with established accounting rules. However, in practice, not all companies adhere to these rules. As a result, the resulting financial statements can be inaccurate and misleading to those who need the information.

Previous research has shown inconsistent application of PSAK 1 across companies with varying focuses. At PT ADES, discrepancies were found in the income statement, particularly in the disclosure of revenue, despite the components of the statement of financial position, cash flow, and changes in equity.

has complied with PSAK 1, this study does not go into depth in analyzing the impact of non-conformity on the quality of financial reports on stakeholder decision making. (Rahma, 2023), research on PT. Angkasa Pura II only covers three years 2020 - 2022, so the long-term trend of the implementation of PSAK 1 is not depicted and the internal or external factors that cause the low level of conformity of the statement of changes in equity are not explained in detail, and PT Siantar Top compared the company's financial statements with PSAK 1 and found that several elements such as financial liabilities, deferred tax liabilities, and financial assets have not been fully included (Armein & Prihartini, 2021) This research gap opens up opportunities for in-depth research on the impact of the latest PSAK 1 implementation on transparency, comparability, and its influence on stakeholders' economic decisions.

This research is crucial in addressing this gap by providing an empirical evaluation of the implementation of PSAK 1 at PT Adhi Karya, a strategic state-owned enterprise. By identifying potential inconsistencies or deficiencies in the implementation of the standard, this research can provide useful recommendations for the company to improve the quality of its financial reporting. Furthermore, the results of this study can help regulators and other stakeholders understand the effectiveness of PSAK 1 implementation in promoting transparency and better governance in the construction and infrastructure sector in Indonesia.

LITERATURE REVIEW

Financial Statements

Financial statements are a crucial element in the economic decision-making process, particularly for stakeholders such as investors, creditors, management, and other parties. Financial statements provide information on an entity's financial position, operational performance, and changes in financial position over a specific period (Pujiono & Imeldia, 2020).

Through financial reports, users can assess an entity's financial health and use the information to make investment, credit, or operational decisions. In practice, financial reports are prepared based on established standards to ensure the information presented is reliable, relevant, and easily understood by various parties. These standards are known as Statements of Financial Accounting Standards (PSAK) (Ramadan, 2021).

PSAK (Statement of Financial Accounting Standards)

PSAK is a set of guidelines that govern how entities should present financial statements, including recognition, measurement, valuation, and disclosure of financial information. Financial statements consist of several main components: the statement of financial position (balance sheet), the statement of comprehensive income, the statement of cash flows, the statement of changes in equity, and notes to the financial statements. Each of these components has a specific function in providing a comprehensive picture of an entity's financial condition. For example, the statement of financial position shows an entity's assets, liabilities, and equity, while the statement of comprehensive income reflects the revenues and expenses generated during a specific period (Afriani, 2023).

The importance of preparing financial statements in accordance with PSAK lies in the effort to create consistency and transparency in financial reporting. PSAK is adopted from international standards developed by the International Financial Reporting Standards (IFRS), with several adjustments to suit local needs. (Okta et al., 2024) This allows entities in Indonesia to present their financial statements on an equal basis with entities from other countries that also apply IFRS, thereby increasing the confidence of international investors.

Implementation of PSAK

The implementation of PSAK is not limited to large companies but is also mandatory for small and medium-sized entities. However, there is a PSAK specifically designed for micro, small, and medium-sized entities (SAK EMKM), which is simplified to facilitate implementation by entities with more limited capacity. SAK EMKM covers only three main components of financial statements:

the statement of financial position, the income statement, and notes to the financial statements (Mais et al., 2024).

In the process of preparing financial statements, there are several principles that must be adhered to based on PSAK. First, the accrual principle requires that transactions and other events be recognized when they occur, not when cash is received or paid. This principle is important because it provides a more accurate picture of an entity's financial performance during the reporting period. Second, an entity must maintain a going concern approach in preparing financial statements, unless there is an indication that the entity will not be able to continue its operations for the foreseeable future (Prasetyo & Mais, 2021).

The importance of transparency and reliability of financial reports cannot be separated from the role of auditors. External auditors are expected to examine financial statements prepared in accordance with PSAK to ensure they are free from material misstatement. The auditor's opinion can influence users' perceptions of the credibility and reliability of the information presented (Wicaksana & Novitasari, 2024).

However, challenges remain in implementing PSAK in Indonesia. One of the biggest challenges is the limited human resources with a thorough understanding of accounting standards. Many entities still struggle to prepare financial reports in accordance with PSAK. This can be due to a lack of understanding of accounting standards or the resources to hire competent accountants. Furthermore, changes or revisions to PSAK can also pose challenges for entities that must continually update their reporting practices. Changes in accounting standards can significantly impact how an entity measures and reports certain transactions, necessitating adjustments to both the reporting system and the accounting policies applied.

PSAK No. 1 concerning the presentation of financial statements is one of the most fundamental standards in the financial reporting system. This PSAK establishes general principles that must be followed in the preparation and presentation of financial statements to ensure that the information provided is relevant, reliable, and comparable. This standard regulates the presentation of financial statement components, including provisions on materiality, comparative presentation, and consistency of presentation between periods (Yulianis et al., 2021).

Indonesian PSAKs continue to undergo changes and adjustments in line with the development of IFRS. One example of a significant change is the implementation of PSAK 72 on revenue recognition, which adopts IFRS 15. These standard changes the approach to revenue recognition, from previously based on the principle of transfer of risks and rewards to one based on the fulfillment of performance obligations. In addition to PSAK No. 1, another important standard is PSAK No. 16, which regulates fixed assets (Mahmudah et al., 2024)

METHOD

This study aims to evaluate the implementation of PSAK 1 at PT Adhi Karya (Persero) Tbk, specifically in terms of compliance with standards, the quality of financial statement presentation, and transparent disclosure. The method used is descriptive qualitative with a content analysis approach to the company's annual report and financial statements. Data collected includes primary sources from company documents as well as secondary sources from related literature and journals.

The research focuses on analyzing the structure of financial statements and the challenges in their implementation at PT Adhi Karya (Persero) Tbk. by grouping important elements such as assets, liabilities, revenues, and expenses.

RESULTS AND DISCUSSION

PT Adhi Karya (Persero) Tbk is a state-owned construction company that has been operating since 1960. Headquartered in Jakarta, the company operates in various sectors such as construction, property, energy, industry, and railway services.

PSAK 1 regulates the structure of financial statements to ensure transparency, relevance, and comparability of financial information. This document includes the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows, and notes to the consolidated financial statements.

The following table shows the application of financial reporting characteristics at PT. Adhi Karya (Persero) Tbk for 2022-2023 based on an analysis of available financial reports.

Financial Reporting Period	Application of Financial Report Characteristics	In accordance	It is not in accordance with
2022	Fair presentation and compliance with Accounting Standards	✓	
	Business Continuity	✓	
	Accrual Basis	✓	
	Materiality and Aggregation	✓	
	Mutual Deletion	✓	
	Frequency of Financial Reporting	✓	
	Comparative Information	✓	
2023	Consistency of Presentation	✓	
	Fair presentation and compliance with Accounting Standards	✓	
	Business Continuity	✓	
	Accrual Basis	✓	

Financial Reporting Period	Application of Financial Report Characteristics	In accordance	It is not in accordance with
	Materiality and Aggregation	✓	
	Mutual Deletion	✓	
	Frequency of Financial Reporting	✓	
	Comparative Information	✓	
	Consistency of Presentation	✓	

Source: Processed by the author

Explanation

1. Fair presentation and compliance with Accounting Standards

PT Adhi Karya has presented financial reports in accordance with PSAK 1, including titles, classifications, and minimum components.

2. Business Continuity

There is no indication of uncertainty regarding business continuity based on the financial statements.

3. Accrual Basis

All transactions and events are recognized using the accrual basis according to standards.

4. Materiality and Aggregation

Financial statement items are presented clearly based on the level of materiality.

5. Mutual Deletion

No deletions were found that were inconsistent with PSAK 1.

6. Financial Reporting Frequency

Financial reports are presented annually on a regular basis.

7. Comparative Information

There is a presentation of comparative information between 2022 and 2023.

8. Serving Consistency

The structure and format of financial statements are consistent between reported periods.

The following is Table 2 adjusted for PT. Adhi Karya (Persero) Tbk for the 2022-2023 period.

Financial Reporting Period	Financial Report Components Based on PSAK 1	In accordance	It is not in accordance with
2022	Statement of Financial Position	✓	
	Statement of Profit or Loss and Other Comprehensive Income	✓	

	Statement of Changes in Equity	✓	
	Cash Flow Statement	✓	
	Notes to the Financial Statements	✓	
2023	Statement of Financial Position	✓	
	Statement of Profit or Loss and Other Comprehensive Income	✓	
	Statement of Changes in Equity	✓	
	Cash Flow Statement	✓	
	Notes to the Financial Statements	✓	

Source: Processed by myself

Explanation:

1. Statement of Financial Position

Presented in full in accordance with PSAK 1, including classification of assets, liabilities and equity.

2. Statement of Profit or Loss and Other Comprehensive Income

Includes important elements such as revenues, expenses, and components of comprehensive income.

3. Statement of Changes in Equity

Presented with details of the opening and closing balances, as well as equity movements.

4. Cash Flow Statement

Using the direct method according to PSAK 1 standards, with cash flows from operating, investing and financing activities.

5. Notes to the Financial Statements (CALK)

Contains additional information regarding accounting policies, significant assumptions, and other disclosures.

The following is Table 3 Comparison of the Presentation of PT. Adhi Karya's Financial Statements with PSAK No. 1 for 2022-2023.

Aspect	Presentation of PT. Adhi Karya Financial Reports	PSAK 1	Appropriate/Not Appropriate
Statement of Financial Position	Presents current and non-current assets, short-term and long-term liabilities, and equity, as well as information related to cash, accounts receivable, investments, investment properties, and tax liabilities. There are no major discrepancies, but the details of certain assets, such as provisions, are lacking.	Presents fixed assets, investment properties, intangible assets, financial assets, inventories, accounts receivable, total classified assets/liabilities, accounts payable, financial liabilities, liabilities and assets for taxes, deferred tax liabilities and assets, tax liabilities,	81.25% according

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Aspect	Presentation of PT. Adhi Karya Financial Reports	PSAK 1	Appropriate/Not Appropriate
		non-controlling interests, and share capital.	
Income Statement and Profit and Loss Statement	Presents revenue, expenses, profit/loss before tax, net income, other comprehensive income, and comprehensive income from associates and joint ventures. The information complies with the components required by PSAK 1.	At a minimum, it includes revenue, finance charges, share of profit/loss of associates and joint ventures (equity method), tax expense, profit/loss, and total comprehensive income/loss.	100% match
Other Comprehensive			
Statement of Changes in Equity	Discloses the beginning and ending balances of equity, including retained earnings, but does not include a detailed reconciliation of changes in equity for each component such as changes resulting from retrospective application or other adjustments.	Total comprehensive income must be separate from allocations to parent owners and non-controlling interests, as well as detailed disclosure of changes in each component of equity during the period.	33.33% according
Cash Flow Statement	Presents operating, investing, and financing cash flows. Cash flow information includes changes in cash and cash equivalents up to the end-of-period balance. The presentation structure complies with PSAK 1.		100% match
		Provides a basis for users to assess the entity's ability to generate cash and the entity's needs to manage cash flows. It should include operating, investing, and financing activities, as well as changes in cash and cash equivalents during the period.	
Notes to the Financial Statements (CALK)	Provides additional information about accounting policies, subsidiaries, and information relevant to understanding the financial statements. Includes information required by PSAK, such as the accounting	Basic information on the preparation of financial statements, accounting policies, and disclosure of information that is not contained in the main financial statements but is	100% match

Aspect	Presentation of PT. Adhi Karya Financial Reports	PSAK 1	Appropriate/Not Appropriate
	standards applied and other disclosures.	relevant to understanding the financial statements.	

Source: Processed by the author

Explanation and Findings

1. Statement of Financial Position

Conformity reached 81.25% because some information was not explained in detail, such as provisions and details related to the classification of certain assets.

2. Statement of Profit and Loss and Other Comprehensive Income

The presentation is fully in accordance with PSAK 1, covering elements of revenue, expenses, profit/loss, and other comprehensive income.

3. Statement of Changes in Equity

Only partially appropriate (33.33%) because the details of changes in each equity component have not been fully presented separately.

4. Cash Flow Statement

It has fulfilled all the elements required by PSAK 1, including the classification of operating, investing and financing cash flows.

5. CALK

100% Compliant, providing additional information relevant to understanding the financial statements.

This study aims to evaluate the application of PSAK 1 in the financial statements of PT Adhi Karya (Persero) Tbk for the 2022-2023 period. Based on an analysis of the prepared tables, the results indicate that PT Adhi Karya has complied with most of the provisions of PSAK 1 in presenting its financial statements. The following are the main points of the study:

1. Statement of Financial Position

Compliance with PSAK 1 reached 81.25%. The report structure meets basic elements, such as the classification of current and non-current assets and short-term and long-term liabilities. However, details related to provisions and certain assets are less comprehensive.

2. Statement of Profit or Loss and Other Comprehensive Income

The presentation of the profit and loss report is in accordance with PSAK 1, covering main elements such as revenue, operating expenses, net profit/loss, and other comprehensive income.

3. Statement of Changes in Equity

Only partially appropriate (33.33%) because it does not include details of changes in each equity component separately, such as retrospective impacts or other adjustments.

4. Cash Flow Statement

Fulfills all elements required by PSAK 1. Presentation of operating, investment and financing cash flows is clear and appropriate.

5. Notes to the Financial Statements (CALK)

Fully in accordance with PSAK 1, including information on accounting policies, standards applied, and other significant disclosures.

This study provides an overview of PT Adhi Karya's level of compliance with PSAK 1 in presenting its financial statements for the 2022-2023 period. By complying with applicable standards, the company can improve transparency and accountability, which are key to maintaining stakeholder trust. The recommendations proposed are expected to assist the company in continuously improving its financial reporting in the future.

Commitment to the full implementation of PSAK 1 will not only provide benefits to companies in terms of governance, but also support the growth of the construction and infrastructure industry in Indonesia more broadly.

CLOSING

Conclusion

Based on the research results, PT Adhi Karya has implemented PSAK 1 quite well, particularly in the presentation of the income statement, cash flow statement, and notes to the financial statements. However, there are weaknesses in:

1. Detailed disclosures in the statement of financial position, particularly regarding provisions and classification of certain assets.
2. Presentation of the statement of changes in equity that does not fully include a reconciliation of changes in each equity component separately.

Nevertheless, PT Adhi Karya has demonstrated a strong commitment to comply with applicable accounting standards, reflecting efforts to increase transparency and accountability.

Suggestion

1. Improved Disclosure of Statement of Financial Position

Companies are advised to add further details regarding certain provisions and asset classifications to provide greater clarity to users of financial statements.

2. Improvements to the Statement of Changes in Equity

A more detailed reconciliation presentation regarding changes in each component of equity, including retrospective impacts or other adjustments, is required to fully comply with PSAK 1.

3. Internal Training related to PSAK 1

Companies can conduct training for accounting teams to ensure a deeper understanding of the disclosures required by PSAK 1, especially on elements that are not yet in accordance.

4. Continuous Evaluation

Management needs to conduct an annual evaluation of financial reports to ensure that the application of PSAK 1 remains relevant and consistent with developments in applicable accounting standards.

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