

# CHAPTER I

## PREFACE

### 1.1 Background

Indonesia has many business sectors. As a developing country, Indonesia continues to increase with reasonably stable economic growth. The increase in the economy is in line with the growing business world. This economic growth is supported by the increase and addition of various industrial sectors which experience high competition and are selective in supporting optimal service to consumers. In various industrial sectors, Indonesia itself is also one of the developing countries that continues to improve services for the community's needs in consumers along with the rapid development of the world economy. So, to get consumers' attention, companies need fixed assets to help expedite company operations. According to (Rahayu, Rahmawati, & Hanif, 2022) Fixed assets are used to support company activities in providing goods and services, originating in leasing activities for administrative purposes and can also be used for a period of more than one year or during the company's operational period so that they influence increasing profitability company.

In acquiring fixed assets, not a few companies are required to have substantial funds. So that companies use other ways to obtain these fixed assets, one way to obtain fixed assets can be through a finance company in the leasing sector. With the large number of transactions used in the form of leasing activities, a guideline is needed to regulate the recognition, measurement, presentation, and measurement of leases that the government must prepare and in collaboration with companies in Indonesia to meet the information needs needed by parties who need it in making decisions. A lease is a contractual agreement between a lessor and a lessee that gives the lessee the right to use the lessor's assets for a certain period (Weygandt, Kimmel, & Kieso, 2015). Leasing is one way for companies to use assets to generate income without buying them. Companies can get many benefits through leasing compared to cash or credit buying. Financial accounting standards regulate the leases based on International Financial Reporting Standards. The lease and other accounting standards for Indonesia are based on the Statement of Financial Accounting Standards as the benefits of leasing for the lessee are

financing with a fixed interest rate, protection from risk and obsolescence, flexibility, and more economical. Leasing can also be a means for companies to carry out off-balance sheet financing. The company may record the lease contract as an operating lease. A company can use an asset without including it on the balance sheet in an operating lease.

This is different from a finance lease, which requires capitalizing leased assets and liabilities. This makes financial reports show an inaccurate financial position which can be detrimental to users. According to PSAK 30, accounting has two lease transaction activities: Operational Leases and Capitalization Leases. And two parties are part of the leasing activity, the lessee and the lessor. In addition, there are several classifications of leasing criteria for each party in the lease; for the lessee, it consists of a finance lease and an operating lease.

Meanwhile, the lessor consists of Sales Type Leases, Direct Financing Leases, Leverage Leases, and Operating Leases. Moreover, the old accounting standard (PSAK 30) allows companies to present their lease contracts in finance leases or operating leases with looser terms. Finance leases by the old standard are recognized when there is a substantial transfer of the benefits and risks from using the asset, and a non-finance lease becomes an operating lease.

PSAK 30 is one of the PSAKs that was replaced with PSAK 73 and effective January 1, 2020. PSAK 73 is the adoption of IFRS 16 regarding Leases. Accounting Standards in Indonesia are committed to fully adopting the International Financial Reporting Standards. IFRS 16 itself was ratified on September 18, 2017. And is effective in the latest PSAK 73. Ikatan Akuntan Indonesia allows companies to apply earlier, provided the company has also implemented PSAK 72 regarding Revenue from Contracts with Customers. Based on the statement of financial accounting standards, PSAK 73 explains that PSAK 73 on leases contains an accounting model to be reported singly for lessees referred to as lessees and classify leases as capital leases. No rules have changed significantly for lessors, so there is no change between the classification of a finance lease or an operating lease. Obstacles in leasing activities by implementing PSAK 73 are when a company has many branch offices and subsidiaries. The parent company must identify the

various lease contracts in all units and analyze their contents (Mashuri & Ermaya, 2021)

The application of PSAK 73 on leases aims to establish the principles for recognizing, measuring, presenting and disclosing leases by introducing a single accounting model specifically for lessees. The lease accounting model applied to PSAK 73 impacts the presentation of financial statements to recognize leases as assets, rights of use and liabilities of leases. And also, in this lease accounting model to be reported singly for lessees who are referred to as lessees and classifying leases as finance leases (capital leases) and for lessors (lessors), there are no rules that change significantly, so there is no difference between the classification of lease types finance lease or operating lease. Thus, if there is a difference between PSAK 30 and PSAK 73, this will affect the financial performance of an entity presented in the financial statements.

To assess the financial performance of a company in managing its company finances, it can be measured using financial ratios such as Debt to Asset Ratio (DAR), Debt to Equity Ratio (DER), Return on Assets (ROA), and Current Ratio (CR) to analyze the performance of a company and to find out the impact caused by the issuance of PSAK Number 73 to replace PSAK Number 30 concerning lease accounting which was previously applied in Indonesia.

Previous research discussing the Implementation of PSAK No. 73 in Indonesia has been carried out by (Safitri, Lestari, & Nurhayati, 2019) on an analysis of the impact of applying PSAK 73 on leasing to financial performance in the manufacturing, mining, and service industries listed on the Indonesia Stock Exchange in 2018. Research This was done before PSAK No. 73 became effective in Indonesia. The results of this study indicate that the largest lease capitalization impact occurs in the service industry, followed by the mining and manufacturing industries, with an average increase in DAR, DER. A decrease in ROA and ROE is due to the service industry, one of the companies engaged in it, such as airlines and retail companies. Airline companies enter into operating leases on aircraft and various aircraft engines.

Therefore, in this study, the authors wanted to see how the impact of the implementation of PSAK 73 on leasing on financial performance in the non-

financial public companies that are listed on the Indonesian Stock Exchange. It is hoped that this research can provide additional research literature regarding the Analysis of The Impact of Applying PSAK 73 On Leasing to The Statement of Financial Position and Financial Ratios in Public Companies Listed on IDX In 2019-2022.

## **1.2 Problem Formulation**

Based on the background above, the formulation of the problem in this scientific work is as follows:

- 1.1. Are there any impacts or differences on the Liquidity ratio with the Current ratio before and after implementing the PSAK 73 in 2017-2022 on the non-financial public company listed in the IDX?
- 1.2. Are there any impacts or differences on the Solvability ratio with the Debt to Equity ratio before and after implementing the PSAK 73 in 2017-2022 on the non-financial public company listed in the IDX?
- 1.3. Are there any impacts or differences on the Solvability ratio with the Debt to Asset ratio before and after implementing the PSAK 73 in 2017-2022 on the non-financial public company listed in the IDX?
- 1.4. Are there any impacts or differences on the Profitability ratio with the Return on Asset ratio before and after implementing the PSAK 73 in 2017-2021 on the non-financial public company listed in the IDX?

## **1.3 Purpose of The Research**

1. To find out the differences in Liquidity ratio with the Current ratio after implementing the PSAK 73 in non-financial public companies on IDX in 2017-2022.
2. To find out the differences in Solvability ratio with the Debt to Equity ratio after implementing the PSAK 73 in non-financial public companies on IDX in 2017-2022.
3. To find out the differences in Solvability ratio with the Debt to Asset ratio after implementing the PSAK 73 in non-financial public companies on IDX in 2017-2022.



4. To find out the differences in Profitability ratio with the Return on Asset ratio after implementing the PSAK 73 in non-financial public companies on IDX in 2017-2022.

#### **1.4 Benefits of Research**

The Benefits of this research are:

1. For The Academicians: The results of this research could illustrate the real impact of the PSAK 73 on Public Companies on IDX, thus can be a reference for other academic research.
2. Theoretical Benefits: This research is expected to enrich insights and add references regarding PSAK 73 on leasing to the company's financial performance.
3. For Organizations: From the results of this study, the company can be used as input and additional reference in analyzing financial performance before and after applying PSAK 73 to the company.
4. For Researcher: An Opportunity for the researcher to employ the knowledge and insight related to differences in financial performance before and after adopting PSAK 73 on the company. And also, with this research, researchers can fulfill one of the requirements to obtain a bachelor's degree.

#### **1.5 Writing System**

This research is structured into five chapters, as follows:

##### **Chapter I INTRODUCTION**

This chapter comprises the background of the research, research problems, objective of the research, scope of the research, research contribution, and research structure.

##### **Chapter II LITERATURE REVIEW**

This chapter comprises the theories employed as the reference of this research.

##### **Chapter III RESEARCH METHOD**

This chapter describes the methods employed for this research, including research design, data collection techniques, and data analysis techniques.

#### **Chapter IV RESULTS AND DISCUSSION**

This chapter comprises the results of this research.

#### **Chapter V CONCLUSION**

This chapter comprises the conclusion of the analysis, limitations of research, and suggestions for future research.

