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Presentation of Partnership International Financial Reporting Standards

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Abstract

International Accounting Standards, that better known as International Financial Reporting Standards (IFRS), is a single standard of accounting reporting that emphasizes professional revaluation with clear disclosures and transparent disclosure regarding the economic substance of the transaction, explanation until reaching a certain conclusion. International Financial Reporting Standards (IFRS) emerged as a result of the demands of globalization which requires business people in a country to participate in cross-border business. Then we need international standards that apply equally in all countries to facilitate the business reconciliation process. The main difference between this international standard and the prevailing standard in Indonesia located in the application of the revaluation model, which is the possibility of asset valuation using fair value, so that financial statements are presented on a 'true and fair' basis.

Keywords: Presentation of International Standards, Financial Reporting, Partnership.

1. INTRODUCTION

Accounting standards are general guidelines for preparing financial statements which are official statements on certain accounting issues issued by authorized bodies and applicable in certain environments. usually contains the definition, measurement/assessment, recognition, and disclosure of elements of financial statements.

International Financial Reporting Standard (IFRS) is an internationally accepted accounting recording and reporting standard issued by the International Accounting Standard Boards (IASB), which is an international institution that aims to develop a high, understandable, applicable, and universally accepted accounting standard. International (Bimo et al., 2019). The International Financial Reporting Standard (IFRS) aims to provide a set of standards for preparing financial statements for companies worldwide. Companies can produce high-quality, comparable and transparent financial reports that are used by investors in the world capital markets and other interested parties (stakeholders).

Currently, many countries in Europe, Asia, Africa, Oceania and America are implementing IFRS. International accounting standards (International Accounting Standards / IAS) are compiled by 4 major world organizations, namely the International Accounting Standards Agency (IASB), the European Community Commission (EC), the International Organization for Capital Markets (IOSOC) and the International Accounting Federation (IFAC).

The harmonization has been fast and effective, it can be seen that a large number of companies have voluntarily adopted International Financial Reporting Standards (IFRS). Many countries have adopted IFRS as a whole and use IFRS as the basis for national standards. This is done to answer requests from institutional investors and other users of financial statements.

IFRS financial statements consist of :

1. Statement of Financial Position
2. Statement of Comprehensive Income or two separate statements consisting of an Income Statement and a separate Statement of Comprehensive Income, which aggregates the Profit or Loss on the income statement to the total comprehensive income
3. Statement of Changes in Equity (SOCE)
4. Statement or Cash Flow Statement of Cash Flow
5. notes, including a summary of significant accounting policies

Legitimacy is a strong relationship as right and proper. Legitimacy is the process that leads to an organization being seen as legitimate. By disclosing the company will feel that its existence and activities are legitimized. Disclosure is an information bridge that connects companies with the public. Disclosure will provide wider information about the company to the public as one of the users of financial statements.

There are three main forces that push the field of international accounting into an ever-growing international dimension consists of : (1) environmental factors, (2) internationalization of the accounting discipline, and (3) internationalization of the accounting profession.

These three factors in the journey/development of accounting play a very important role and determine the direction of accounting theory, which over the years and decades many experts have devoted their energy and thoughts to developing accounting theory and it turned out to be a failure and this led to an evolution from "theorizing" to "accounting". Conceptualizing" (Suwarjono, 2015).

Mustaip (2015) examines the impact of IFRS adoption on company financial statements and on company management, using interviews (case studies) resulting in higher financial statement disclosures and company management becoming more accountable (accountable). Also examines the impact of the degree of convergence to IFRS and the government system to accounting conservatism in Asian countries, using regression analysis there is a positive impact of convergence to IFRS and the governance system on earnings quality.

Solomons (1986) examined the effect of liquidity, profitability, and the portion of public share ownership on the disclosure of the company's annual report, using regression analysis, this study states that liquidity, profitability, and public share ownership have no effect on the area of disclosure of the annual report.

MZubaidur (2000) legitimacy theory states that the company has a contract with the community. Legitimacy theory is the source that determines the existence of the company. The company is said to have legitimacy when the company's value system is in line with the community's value system. This means that legitimacy is a status or condition that occurs when the value system of an entity is in line with and in line with the existing value system in society.

Financial statements are prepared and presented at least once a year to meet the needs of a large number of users. Some of these users need and have the right to obtain additional information in addition to what is included in the financial statements. However, many users rely heavily on financial statements as the main source of financial information and therefore they should be prepared and presented with their needs in mind. Financial statements with special purposes such as prospectuses, and calculations made for tax purposes are not included in this basic framework.

2. LITERATURE REVIEW

Users of financial statements include current and potential investors, employees, lenders, suppliers and other business creditors, customers, governments and their institutions, and the public (Eriadi et al., 2018). They use financial statements to meet several different information needs.

Some of these needs include:

- Investors.

Investors need information to help determine whether to buy, hold or sell the investment. Shareholders are also interested in information that allows them to assess a company's ability to pay dividends.

- Employee.

Employees and the groups that represent them are interested in information about the stability and profitability of the company. They are also interested in information that allows them to assess the company's ability to provide remuneration, retirement benefits and employment opportunities.

- Lenders

Lenders are interested in financial information that allows them to decide whether loans and interest are payable when they fall due.

- Suppliers and other business creditors.

Suppliers and other business creditors are interested in information that allows them to decide whether amounts owed will be paid when they fall due. Business creditors have an interest in the company for a shorter period of time than lenders unless as their primary customer they depend on the survival of the company.

- Customer.

Customers are interested in information about the viability of the company, especially if they are involved in long-term agreements with, or are dependent on, the company.

- Government.

The government and various institutions under its control have an interest in the allocation of resources and therefore have an interest in the activities of the company. They also need information to regulate company activities, establish tax policies and as a basis for compiling national income statistics and other statistics.

- Public.

Companies influence members of society in a variety of ways. For example, companies can make significant contributions to the national economy, including the number of people employed and the protection of domestic investors. Financial reports can help the public by providing information on trends and the latest developments in the prosperity of the company and its series of activities.

3. METHODS

The question is, how can this need be met if companies are still using different forms and principles of financial reporting? International Accounting Standards, better known as International Financial Reporting Standards (IFRS), is a single standard for high-quality accounting reporting and a principles-based accounting framework that includes strong professional judgments with clear and transparent disclosures regarding the economic substance of transactions, explanations to reach certain conclusions. , and the accounting related to those transactions. Thus, users of financial statements can easily compare financial information of entities between countries in various parts of the world.

The implication is that adopting IFRS means adopting a global financial reporting language that will make a company understandable to the global market. A company will have greater competitiveness when adopting IFRS in its financial statements. Not surprisingly, many companies that have adopted IFRS have made significant progress when entering global capital markets.

Internationally, IFRS has been adopted by many countries, including the European Union, Africa, Asia, Latin America and Australia. In Asia, Hong Kong, the Philippines and Singapore have also adopted it. Since 2008, it is estimated that around 80 countries require companies listed on global stock exchanges to apply IFRS in preparing and presenting their financial statements.

4. RESULTS DAN DISCUSSION

A. Result

The Purpose of Financial Statements

- Provide information regarding the financial position, performance, and changes in financial position of a company that is useful for a large number of users in making economic decisions.
- Provides information that is useful for predicting the amount, timing, and uncertainty of a company's future cash flows.

Users are investors, employees, lenders, suppliers and other business creditors, customers, governments and the public.

Qualitative Characteristics of Accounting Information

Relevant – consists of:

- Predicted value
- Confirmation value
- Materiality

Trustworthy – consists of:

- Served honestly
- Neutral
- Substance over shape
- Prudence (where there is uncertainty, errors in providing information and ensuring conservatism.
- Equipment

Financial Report Elements

- Asset
- Obligation
- Equity
- Maintenance of capital (obtained from revaluation of assets and liabilities)
- Profit (Revenue and profit)
- Expenses (expenses and losses)

Recognition and Measurement – Principles

- Historical cost
- Current costs (what must be paid today to acquire the asset. This is often obtained in the same valuation as fair value)
- Realizable value (the amount of cash that can be obtained today if the asset is disposed of)
- Fair value
- Revenue recognition
- Load recognition

- Full disclosure

Recognition and Measurement – Constraints

- Balance between costs and benefits
- On time
- Balance between qualitative characteristics.

The purpose of financial statements is to provide information regarding the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decisions. Financial statements prepared for this purpose meet the common needs of most users. However, financial statements do not provide all the information that users may need in making economic decisions because they generally reflect the financial effects of past events, and are not required to provide non-financial information.

Financial position information is mainly provided in the balance sheet. Performance information is mainly provided in the income statement. In the financial statements, information on changes in financial position is presented in a separate report. Financial statements also contain additional notes and schedules and other information. For example, the report may contain additional information relevant to the needs of users of balance sheets and income statements. It may also include disclosure of the risks and uncertainties affecting the company and any resources and obligations that are not included in the balance sheet (such as mineral reserves). Information on industry and geographic segments and their impact on the company due to price changes may also be provided in the form of additional information.

QUALITATIVE CHARACTERISTICS OF FINANCIAL STATEMENTS

Qualitative characteristics are characteristics that make the information in financial statements useful to users. There are four main qualitative characteristics, namely: understandable, relevant, reliable, and comparable.

1. Understandable

Users are assumed to have adequate knowledge of economic and business activities, accounting, and a willingness to study the information with reasonable diligence.

2. Relevant

Information has the quality of relevance if it can influence the economic decisions of users by helping them evaluate past, present or future events, confirming, or correcting, the results of their past evaluations.

Materiality

The relevance of information is influenced by its nature and materiality. Information is considered material if the omission or error in recording the information can affect the economic decisions of users made on the basis of the financial statements. Materiality depends on the magnitude of the item or error assessed according to the specific situation of omission or misstatement. Therefore, materiality is more of a threshold or breaking point than a basic qualitative characteristic that must be possessed in order for information to be seen as useful.

1. Reliability

To be useful, information must also be reliable. Information has reliable quality if it is free from misleading notions, material errors, and can be relied on by users as a faithful representation of what it should be or could reasonably be expected to represent.

1. Honest Presentation

To be reliable, information must represent faithfully the transactions and other events it purports to represent or could reasonably be expected to represent.

2. Substance Over Form

If the information is intended to represent faithfully the transactions and other events that it purports to represent, then those events need to be recorded and presented in accordance with their substance and economic reality and not just their legal form.

3. Neutrality

Information must be directed to the general needs of users, and not depend on the needs and desires of certain parties. There should be no attempt to present information that benefits some parties, while doing so will harm other parties who have conflicting interests.

4. Healthy Considerations

Preparers of financial statements sometimes face the uncertainty of certain events and circumstances, such as doubtful collection of receivables, the estimated useful lives of plant and equipment, and claims for guarantees that may arise. Such uncertainty is recognized by disclosing its nature and extent and by exercising prudence in the preparation of financial statements.

5. Completeness

To be reliable, information in financial statements must be complete in

materiality and cost constraints. Intentional non-disclosure (omission) results in information being untrue or misleading and therefore unreliable and imperfect in terms of relevance.

2. Comparable

Users must be able to compare the company's financial statements between periods to identify trends (trends) of financial position and performance. Users must also be able to compare financial statements between companies to evaluate their relative financial position, performance and changes in financial position.

FINANCIAL STATEMENT ELEMENTS

Financial Statements describe the financial effects of transactions and other events classified into several major groups according to their economic characteristics. This large group is an element of financial statements. Elements that are directly related to the measurement of financial position are assets, liabilities and equity. While the elements related to performance measurement in the income statement are income and expenses. The statement of changes in financial position usually reflects various elements of the income statement and changes in various elements of the balance sheet; Accordingly, this basic framework does not specifically identify the elements of the statement of changes in financial position.

1. Financial Position

Elements that are directly related to the measurement of financial position are assets, liabilities and equity. These headings are defined as follows:

a. Assets are resources controlled by the company as a result of past events and from which future economic benefits are expected to flow to the company.

b. Liabilities are present obligations of the company that arise from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits from the company.

c. Equity is the residual interest in the company's assets after deducting all liabilities.

2. Performance

Net income (profit) is often used as a performance measure or as a basis for other measures such as return on investment or earnings per share. Elements that are directly related to the measurement of net income (profit) are income and expenses.

3. Income

The definition of income includes both revenues and gains. Revenues arise in the course of the ordinary activities of the company and are known by different names such as sales, fees, interest, dividends, royalties and rent.

4. Load

The definition of expenses includes both losses and expenses that arise in the course of the ordinary activities of the company. Expenses that arise in the course of the ordinary activities of an enterprise include, for example, cost of goods sold, salaries and depreciation. The load is usually in the form of an outflow or reduction.

assets such as cash (and cash equivalents), inventories and property, plant and equipment.

5. Capital Maintenance Adjustments

The revaluation or restatement of assets and liabilities results in an increase or decrease in equity. Even though it meets the definition of income and expenses, according to certain capital maintenance concepts, these increases and decreases are not included in the income statement. Alternatively, this item is included in equity as a capital maintenance adjustment or revaluation reserve.

RECOGNITION OF FINANCIAL STATEMENT ELEMENTS

Items that meet the definition of an element should be recognized if:

a. It is posible that the economic benefits associated with the item will flow to or from the enterprise; and

b. The post has a value or cost that can be measured reliably.

MEASUREMENT OF FINANCIAL STATEMENT ELEMENTS

The various measurement bases are as follows:

1. Historical cost. Assets are recorded at the amount of cash (or cash equivalent) paid or at the fair value of the consideration given to acquire the asset at the time of acquisition. Liabilities are recorded at the amount received in exchange for the obligation, or

in certain circumstances (for example, income tax), in the amount of cash (or cash equivalents) expected to be paid to meet the obligation in the normal course of business.

2. Current costs. Assets are valued at the amount of cash (or cash equivalents) that would have been paid if the same or equivalent assets were acquired now. Liabilities are stated in the undiscounted amount of cash (or cash equivalents) that may be required to settle the present obligation.
3. Realizable/settlement value. Assets are expressed in terms of the amount of cash (or cash equivalents) that can be obtained now by selling the asset in orderly disposal. Liabilities are stated at settlement value; that is, the undiscounted amount of cash (or cash equivalents) expected to be paid to meet obligations in the normal course of business.
4. Present value (present value). Assets are stated at future net cash inflows discounted to the present value of items that are expected to generate results in the normal course of business. Liabilities are stated at the net future cash outflows discounted to the present value that is expected to be required to settle the obligation in the normal course of business.

The measurement basis that is usually used by companies in preparing financial statements is historical cost.

CAPITAL CONCEPT AND CAPITAL MAINTENANCE

1. Capital Concept

The concept of financial capital is adopted by most companies in the preparation of financial statements. According to the concept of financial capital, such as invested money or purchasing power, capital is synonymous with the net assets or equity of the company. According to the concept of physical capital, such as operating capacity, capital is viewed as the productive capacity of a firm based on, for example, units of output per day.

The selection of the appropriate concept of capital for the company must be based on the needs of users of financial statements. Thus, the concept of financial capital should be adopted if users of financial statements are primarily concerned with maintenance of nominal capital or purchasing power of invested capital.

2. The Concept of Capital Maintenance and Profit Determination

In the previous concept of capital, created 2 concepts of capital maintenance, namely:

a. Maintenance of financial capital. According to this concept, profit is earned only when the financial (or monetary) amount of net assets at the end of the period exceeds the financial (or monetary) amount of net assets at the beginning of the period, after re-entering any distributions to, and excluding any contributions from, owners during the period. period. Maintenance of financial capital can be measured either in nominal monetary units or in units of constant purchasing power.

b. Maintenance of physical capital. According to this concept profit is only earned if the physical productive capacity (or business capacity) at the end of the period exceeds the physical productive capacity at the beginning of the period, after re-entering any distributions to, and removing any contributions from, the owners during the period.

B. DISCUSSION

➢ IFRS's Goals

The purpose of IFRS is to ensure that the company's interim financial statements for the periods included in the annual financial statements contain high quality information that: 1. Transparency for users and comparable throughout the period presented. 2. Provide an adequate starting point for accounting based on IFRS. 3. Can be generated at a cost that does not exceed the benefits to the users.

➢ Benefits of IFRS

The benefits of having a global standard: 1. Capital markets become global and investment capital can move around the world without significant obstacles. High quality financial reporting standards used consistently around the world will improve local allocation efficiency. 2. Investors can make better decisions. 3. Companies can improve decision-making processes regarding mergers and acquisitions. 4. The best ideas arising from standard-setting activities can be disseminated in developing the highest quality global standards.

The benefits of IFRS in Indonesia are: 1. It can improve the quality of financial accounting standards and reduce the cost of preparing reports. 2. Increase the credibility of the financial statements. 3. Align with internationally applicable regulations. 4. Increase inward and outward investment flows. 5. Facilitate understanding of financial statements.

5. CONCLUTION

These international standard efforts are carried out voluntarily, when the international standard does not differ from the national standard, then there will be no problem, which becomes a problem, if the international standard is different from the national standard. If this is the case, then the national standard (first reference) will take precedence.

There are many pros and cons in the application of international standards, but over time, international standards have moved forward, and pressured countries against them. For example, the US stock exchange commission, the SEC does not accept IFRS as a basis for financial reporting submitted by companies listed on US stock exchanges, but the SEC is under increasing pressure to make US capital markets more accessible to non-reporters. US. The SEC has expressed support for the IASB's goal of developing accounting standards used in financial statements used in cross-border offerings.

The adoption of IFRS is intended as an example that in our lives we do experience changes, and these changes occur as a result of developments in all aspects. However, in adopting IFRS, unfortunately there are still parties who may oppose it, an example of the reason being understanding that may still be felt to be lacking. Why not, in its explanation, IFRS still uses English, which means we have to translate it into a language that is appropriate for the country that will adopt it. With this, the problem is that we need a lot of time to translate. And the assumption that with this change incurs a fairly large cost. For this reason, the adoption of IFRS in Indonesia has not yet taken place.

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