

Literature Review: Implementation of PSAK 22 Business Combination Accounting on Financial Performance of Companies in Indonesia

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Abstract

This article discusses business combinations in accounting referring to PSAK 22 which is now called PSAK 103 regarding business combinations, using a literature review approach. This study assesses the impact of PSAK 22 on the company's financial performance. Before the implementation of PSAK 22, the "pooling of interests" or "purchase method" method was widely used by companies. Although mergers and acquisitions can often improve financial performance, the results vary across industries. This article is intended as a reference for further research on business combinations based on PSAK 22/103 and also the need for more comprehensive case studies and various variables.

Keywords: *PSAK 22, business combination accounting, financial performance, companies.*

INTRODUCTION

The world economy continues to experience dynamic and complex changes, influenced by factors such as international trade, technological progress, demographic changes, and relations between countries (Nasution & Welly, 2023). Globalization has been a major catalyst accelerating the integration of markets and the exchange of ideas around the world, opening up new opportunities for improving people's well-being and economic growth (Nasution et al, 2024). However, this process also brings challenges, including economic inequality, increasing market competition, and vulnerability to global fluctuations. Rapid technological change is changing the structure of the labor market, creating opportunities for new sectors, but also requiring adjustments in skills and innovation. In this context, close international cooperation and adaptive economic policies are essential to overcome obstacles, maintain stability, and promote sustainable development. Amid these challenges, it is important for each country to design strategies that focus not only on growth, but also include inclusiveness and sustainability as the foundation of the future global economy (Nasution, 2023).

Business combinations have become one of the main strategies in the corporate world to face the dynamics of global competition. Companies often combine assets, resources, or other business entities to create synergies that can improve operational efficiency, expand market share, and create added value for shareholders. This step is often taken to face challenges such as technological change, the need for diversification, or the pressures of globalization. With the increasingly complex international economic landscape, business combinations have also become a strategic tool to strengthen a company's position in the global market, either through mergers, acquisitions, or strategic alliances designed to create sustainable competitive advantages (Nasution et al, 2024).

Companies that connect businesses must be able to prepare consolidated reports. To that end, the consolidated report reflects the operational and financial conditions of the controlling entity and controlled subsidiary entities (Nasution et al, 2021). The combined report is intended to provide information on the more comprehensive combined financial conditions to the stakeholders involved. PT. Ultra Milk Industri dan Trading Company, Tbk has a subsidiary, namely PT. Nikos Intratrade, where PT. Nikos Distribution Indonesia, PT. Nikos Peternakan, and PT. Ultra Peternakan Bandung Selatan have more than 50% ownership. In this situation, if the ownership guarantee exceeds 50% is given, the entity will be listed in the combined report.

The actual financial condition of a business entity must be reflected accurately and clearly in the financial statements. Companies are required to comply with the provisions of Financial Accounting Standards (SAK) and combine business aspects. It is important for financial statements to reflect this condition. However, this must be balanced with the delivery of other information to users. For an organization, it is important to provide information to users on how to use, present and disclose in accordance with KDPPLK (Basic Framework for the Preparation and Presentation of Financial Statements).

SAK is a work structure framework that functions as a reference in the process of preparing financial reports, so that presentation can be done consistently. SAK also plays a role as a foundation for strengthening the quality of information in financial reports (IAI, 2020). SAK in Indonesia is the implementation of effective accounting standards, for example International Financial Reporting Standards (IFRS), Entities Without Public Accountability (ETAP), International Accounting Standards Boards (IAS), and Generally Accepted Accounting Principles (GAAP).

PSAK manages business combinations, which include mergers between new entities to ensure control over existing entities or other operations. This standard serves as a guideline in implementing accounting for business combinations. In compiling the structure of PSAK 22, there are several important things that need to be observed, including directions on the recognition and measurement of assets, liabilities, and entities involved.

Financial reports are a reflection of the performance of company managers in accounting for the use of funds and resources given to them. Referring to PSAK No. 1 (2015), it explains that financial statements have the purpose of conveying information about the performance, financial condition, and shifts in the company's financial position for users within the framework of making economic decisions.

The parent company in this context does not only make its own financial statements (without consolidated financial statements) after gaining control over the subsidiary. This is because there is only one type of financial statement that is general for the company, namely consolidated financial statements

RESEARCH METHODS

Descriptive method through literature review approach is used in the implementation of this research. Sources in the form of books, articles, previous research and reports concerning business mergers and PSAK 22, are analyzed. The purpose of this analysis is to compare available information to find trends, patterns, and impacts of PSAK 22.

RESULTS AND DISCUSSION

According to research by Anantansya et al (2023), in 2009 and 2010 PT. Ultrajaya Milk Industri and Trading Company Tbk. implemented the pooling of ownership method for recording its business combinations. At this stage, the entity does not recognize any goodwill. On January 12, 2010, an adjustment to PSAK 22 regarding business combinations was issued and became effective on January 1, 2011. PT. In addition, both in 2011 also made arrangements for business combination standards in response to changes to PSAK 22. The company has the ability to assess its consolidated financial statements to ensure compliance with applicable standards, especially PSAK 22.

The period 2020 to 2022 of PT. Astra International Tbk shows that the company did not conduct a business combination in 2021. PT. Sedaya Multi Investama in November 2020 purchased 49.99% of Aviva International Holdings Limited shares in PT. Asuransi Jiwa Astra ("Astra Life"). The transaction increased the group's effective ownership of Astra Life to 99.99%, therefore there is full control from PT. Astra International Tbk over Astra Life which is a subsidiary, where the total acquisition cost is IDR 1.4 trillion and the recorded goodwill is IDR 824 billion. PT Astra Tol Nusantara which is a direct subsidiary in November 2020 has purchased 100% of PT. Jaya Sarana Pratama and PT. Jakarta Infrastruktur Propetindo in PT. Jakarta Marga Jaya where the acquisition cost is IDR 660 billion. JMJ now has shares in PT. The Jakarta Ring Road reached 49%, which manages the Ulujami-Kebon Jeruk toll road.

This business combination shows various developments, therefore PT. Indosat Ooredoo Hutchinson Tbk has successfully achieved second place in the telecommunications sector competition under PT Telkom Indonesia Tbk. The company's stock value has always increased, up 46% to Rp9,000 per share. The increase in performance recorded a significant growth of 621% in profits that can be distributed to investors. This profit spike was due to an increase in revenue to 9.9% in the first quarter of 2023. The entity's Price Earning Ratio reached 19.2, which shows that its shares are still affordable. The company's ability to make a profit is quite good with an NPM of up to 7.78%. Investment management at PT. Indosat Ooredoo Hutchinson is also quite effective with an ROA of 3.24%

CONCLUSION

Some strategies that can be applied to develop a company to increase profits or expand its reach are basically through entity acquisition. However, companies also need to pay attention to PSAK 22 on Business Combinations when preparing their financial statements. PSAK 22 must be used as a reference in the application of business accounting, which shows a significant influence, especially on measuring profitability through ROE and ROA. Changes that occur after the acquisition will be an important factor for shareholders, so companies must focus on strategies to increase financial activity and maintain investor confidence in the future.

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