

**IMPAIRMENT IN VALUE OF PSAK 7 FINANCIAL ACCOUNTING  
STANDARDS, CLASSIFICATION OF ACCOUNTING  
MEASUREMENTS IN HEDGING COMPANIES IN THE BANKING  
SECTOR DUE TO CORONA VIRUS**

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**Abstract**

*The less difference between SAK and IFRS can provide benefits for stakeholders in commercial banks in Indonesia. Companies that have public accountability, regulators try to make the necessary regulatory infrastructure, especially in capital market transactions, as well as users of financial statement information can use or use financial accounting standards as a guide in improving the quality of information produced in financial statements value, financial instruments, measurement classification, hedging in banking sector companies due to the corona virus. This study aims to identify regarding the impairment in value of PSAK 7 financial accounting standards, classification of accounting measurements in hedging companies, especially in the banking sector due to corona virus. The results showed that the banking sector experienced a decline in value with the entry of the Corona Virus outbreak which lasted long enough so that the banking sector was depressed which resulted in the value of PSAK 71 changing the condition of banking financial statements so that risk hedges arise from certain risks that can affect profit and loss or comprehensive income. others, in the case of investments in equity instruments that the entity has selected to represent changes in fair value in other comprehensive income.*

Keywords: Knowledge, Religiosity, Pocket Money, Interest in Saving, Shariah Banks

**1. INTRODUCTION**

The World Health Organization (WHO) reports that there has been a spread of respiratory tract diseases caused by animals (bats) in the port city of Wuhan, where the type of virus is not yet known. The World Health Organization reported that it had become a global emergency case on January 30, 2020. The case of Corona Virus-19 occurred due to an outbreak that spread so quickly throughout the world, including in Indonesia. So that the government issued a policy of Large-Scale Social Restrictions aimed at breaking the chain of transmission and spread of Covid-19.

The implementation of these policies can cause the economic activity of the community in a number of cities in Indonesia to decline compared to before. This social distancing policy has a negative impact that causes economic growth to slow down, namely to 2.97% (yoy) in the first quarter of 2020 (Bank Indonesia, 2020). All sectors are affected by the COVID-19 pandemic, and one of the problems faced by the banking industry is the increase in the number of bad loans. Bad loans or non-performing loans are loans that are late in installments and have the potential to be unable to be repaid by the debtor. To reduce bad loans, the Financial Services Authority (OJK) issued Regulation Number 11/POJK.03/2020 concerning National Economic Stimulus as a Countercyclical Policy for the Impact of the

Spread of Covid-19 for, (Setyaningrum, & Siregar 2012: Hertati, Widiyanti, Desfitriana, Syafarudin, 2020). Banking and POJK Number 14/POJK.05/2020 concerning Countercyclical Policy on the Impact of the Spread of Covid-19 for Non-Bank Financial Services Institutions. In its regulations, OJK provides in the form of a credit restructuring relaxation policy; provide adequate liquidity space for banking needs; provide relaxation in forming additional reserves for bad credit losses due to Covid-19; and carry out more effective and faster supervisory resolutions for the financial services industry through cease-and-desist orders and other supervisory actions/resolutions.

This policy is expected to ease and maintain financial system stability (Sihaloho, 2020: Lestari, R Hertati, 2020: Lestari & Hertati, 2020: Dessler, Gary, 2013). There is one thing that needs to be considered from these policies, namely the restructuring policy, the policy will increase the allowance for impairment losses (CKPN), the higher the reserve will have an impact on the decline in bank profits (net interest margin). In this case, Bank Indonesia implemented a quantitative easing (QE) policy by providing relaxation of bank cash reserves (minimum statutory reserves) from 5.5% to 3.5% for conventional banks, while Islamic banks were given leeway for statutory reserve requirements from 4% to 3.5%. 3.5%. In addition, Bank Indonesia (BI) also lowered the BI benchmark interest rate (BI7DRRR/BI-7 Day Reverse Repo Rate) to 4.5% and purchases of securities, including pandemic bonds (Sihaloho, 2020: Kieso, & Warfield. (2011)

With such unfavorable conditions, OJK issued guidelines for accounting treatment in the application of Statement of Financial Accounting Standards (PSAK) 71, related to the impact of the Covid-19 pandemic which has created uncertainty in economic conditions, thus significantly influencing the judgment of entities in preparing financial statements. OJK asks the banking industry to implement a restructuring scheme for debtors who are really affected by Covid-19, then classify debtors who are included in the restructuring scheme because they are affected by Covid-19, and do not require additional CKPN. Banks must also identify and monitor on an ongoing basis and be careful to continue to form CKPN if the debtors who have received the restructuring facility performed well at first, are expected to decline due to the impact of Covid-19, and cannot recover after the restructuring ends (Fatoni, 2020: Radhakrishnan, & Tsang, 2011). The impact of Covid-19 on the banking industry is related to PSAK 71. On January 1, 2020, financial institutions such as banks and finance companies must apply PSAK 71. PSAK 71 is a change from PSAK 55 which was adopted from International Accounting Standard (IAS) 39. In response to the criticism of IAS 39, the reason for the replacement from PSAK 55 to PSAK 71 was because it was too complex, inconsistent with the way entities manage their business and risks and delay the recognition of credit losses on loans and receivables until it is too late in the credit cycle. So, in PSAK 71 there is one important point, namely regarding the provision for impairment of financial assets in the form of receivables, loans, or credit (Wangi, 2020).

As is known, PSAK 55 uses the backward-looking method of incurred loss in its calculations. Meanwhile in PSAK 71, CKPN is calculated using the forward-looking expected loss method. In PSAK 71, banks must estimate the possible risk of a financial instrument since initial recognition using forecasted future information. (IASB, 2013: Mackenzie, Bruce, et al 2014: Noreen, et al, 2011). Previous research conducted by Tumbel et.al. (2018), namely the presentation of non-performing loans in the recognition and measurement of non-performing loans is also in accordance with PSAK 55. Then what is

done by Prajanto (2022) states that overall Bank Jateng has implemented all instrument changes, there are no significant changes since implementing PSAK 71. Research novelty In this case, the focus of the problems discussed is not widespread and is more focused on the core of the problem, focusing on the application of PSAK 71 during the Covid-19 pandemic. Where PSAK 71 uses the expected credit loss (ECL) approach. While PSAK 55 uses the incurred loss method (ILM) approach. The application of PSAK 71 on financial instruments that focuses on the recognition, measurement, and impairment of trade receivables in the banking sector listed on the IDX in 2020.

## **2. THEORETICAL FRAMEWORK**

### **2.1. Impairment**

PSAK 71 Requires immediate recognition of the impact of changes in expected credit losses after initial recognition of financial assets. The Bank measures the allowance for credit losses in the number of KKE throughout its life (lifetime), if the credit risk on the loan has increased significantly since initial recognition. Paragraph 5.5.4 of PSAK 71 states that the purpose of the impairment requirement is to recognize the expected credit loss lifetime (ECL–lifetime) for all financial instruments that have experienced a significant increase in credit risk since initial recognition taking into account all reasonable and supported information, including which is forward-looking. The application of PSAK 71-ECL introduction model has the following criteria: 1. Level 1: 12 Months EL can be recognized on initial introduction. 2. Grades 2 and 3: ECL life span can be identified when there is a significant increase in credit risk. 3. Accumulated interest: profit at level 1 and 2 and net income at level 3. 4. The range of information allowed is wider: past, present, and future. 5. Information that is reasonable and can be supported without undue effort and expense. Considerations needed (Lie & Sumirat, 2018).

### **2.2. Financial Accounting Standards**

Financial Accounting Standards are a framework in the procedures for preparing financial statements so that the presentation of financial statements is uniform. Financial Accounting Standards are the formulation of the Indonesian Accounting Principles Committee which was formulated in 1994 where the Indonesian Accounting Principles in 1984 have been replaced by the Accounting Principles Committee. Indonesia implemented SAK which was later adopted from several existing accounting standards such as, International Accounting Standards (IAS), International Financial Reporting Standards (IFRS), Financial Accounting Standards for Entities Without Public Accountability (ETAP), Generally Accepted Accounting Principles (GAAP), Accounting Standards Islamic Finance (SAK Syariah) as well as Government Accounting Standards (SAP) (Kartikahadi et al., 2016; B. G. Siregar, 2019). Each country has a different SAK, which can make it difficult for users of financial statements to understand the contents of the report.

So that the IASB publishes international SAK that can be applied by every country, namely IFRS. (Connelly, & Duane Ireland, 2010). Quoted from the Indonesian Institute of Accountants that Financial Accounting Standards are Statements of Financial Accounting Standards (PSAK) and Interpretation of Financial Accounting Standards (ISAK) issued by the Standard Board of the Indonesian Institute of Accountants (DSAK IAI) and the Sharia Standards Board of the Indonesian Institute of Accountants (DSAS IAI) as well as

regulations capital market regulator for entities under its supervision. PSAK 71 which was adopted from IFRS 9 effective January 1, 2020 will generally replace PSAK 55 which is the adoption of IAS 39. This PSAK 71 has changes that regulate: classification, recognition and measurement of impairment, as well as hedge accounting. (FASB, 2008). In PSAK 50 a financial instrument is any contract that adds value to an entity's financial assets and other financial liabilities or equity instruments of the entity. In a broad sense, assets are ownership or possession of an item that has an exchange value. In the Practical Guide to PSAK 71 Financial Instruments by Ahalik (2019, p. 2) financial assets are all assets in the form of cash, equity instruments issued by other entities, for example, investments in shares that are not intended to control or exert influence, and rights contracts such as accounts receivable or notes. While an equity instrument is any contract that provides a residual interest in the assets of an entity after deducting all debt. (Hertati, Iriadi, Safkaur, Fery, Antasari, Nazarudin, 2020: FASB, 2008).

### **2.3. Classification of Accounting Measurement**

Any contract that adds value to an entity's financial assets and financial liabilities or equity instruments of another entity is a financial instrument, (Hertati. Fery, Safkaur, 2020) Classification and measurement of financial instruments based on the characteristics of cash flows and the company's business model in asset management. (Hertati, Iriadi, Safkaur, Fery, Antasari, Nazarudin, 2020: Hertati.L. Safkaur.2020: Hertati, 2021). 1. Cash Flow Characteristics Determination of contractual cash flow characteristics is carried out on individual financial assets and aims to identify whether contractual cash flows from financial assets on a certain date will increase cash flows solely from payments of principal and interest (SPPI) of the principal amount owed (Ahalik, 2019, p. 9). 2. Business Model The business model of a company in managing financial assets can be seen through the activities it carries out to achieve company goals (Kwn, Gee-Jung 2009). The determination of the business model is carried out at a broader aggregate level, not based on instrument by instrument, that level is in making decisions when managing a group or portfolio of financial assets to achieve business goals.

PSAK 71 distinguishes three types of business models, namely: 1) Financial assets are managed by a business model that aims to own financial assets in order to obtain contractual cash flows. 2) Financial assets are managed by a business model whose objective will be met by obtaining contractual cash flows and selling the financial assets and the contractual terms of the financial assets entitle on a certain date to cash flows that are solely payments of principal and interest on the principal amount owed. 3) Financial assets are held to be traded at fair value (Ahalik, 2019).

### **2.4. Hedging Accounting**

In PSAK 71 paragraph 6.1.1. stated the objective of hedge accounting is to show in the financial statements the impact of the entity's risk management activities that use financial instruments to manage exposures arising from certain risks that may affect profit or loss or other comprehensive income, in the case of investments in equity instruments that have been selected by the entity to be presented with changes in fair value in other comprehensive income, (Choi, Frederick & Meek. 2011: Enhardt, & Brigham, 2019: Ernst & Young, 2011). In the material Overview of PSAK 71 Financial Instruments, Wahyuni (2020) connects

accounting with corporate risk management more flexibly. Hedging for accounting purposes, designs one or more hedging instruments so that changes in fair value cancel each other out, either in whole or in part with changes in fair value. of protected items. Hedging (accounting recognizes the effect of profit/loss from changes in the fair value of the hedging instrument with the item being hedged).

The types of hedge accounting in the material presented by Wahyuni (2020) are as follows: 1. A hedge against exposure to changes in the fair value of a recognized asset or liability, or an unrecognized firm commitment, or a component of the item, which is attributable to a particular risk and affects profit or loss. fair value hedges; 2. Hedging the exposure to cash flow variability that is attributable to certain risks associated with the whole or component of a recognized asset or liability or attributable to certain risks associated with a forecast transaction that is most likely to occur, and may affect profit or loss. cash flow hedges; 3. Hedging net investment in foreign activities. Quoted from Bank Indonesia Regulation (2012) No. 14/15/PBI/2012 “CKPN is an allowance created if the initial carrying amount of a financial asset after impairment is less than the initial carrying amount.” This reserve is formed by the bank based on the process of placing funds as a form of prudential principle. The main function of CKPN is to avoid potential business failures that can meet their obligations to pay. CKPN is the formation or provision of funds assessed from the results of the evaluation of debtor financing conducted by the Bank. If according to a Bank there is objective evidence that the financing from the debtor has decreased, then the Bank is required to calculate and establish a reserve for financing. banks are required to calculate and establish CKPN funds for productive assets and non-productive assets (Beams, et al, 2012).

### **2.5. Hedging Accounting**

Research by Prajanto (2022) and Hertati, (2021) stated that overall Bank Jateng has implemented all instrument changes. Changes in the classification of securities, the formation of CKPN in the estimated loss of commitments and contingencies are forms of Bank Jateng's compliance. There has been no significant change since applying PSAK 71. Expected credit loss is the difference between all contractual cash flows due to the entity under the contract and all cash flows expected to be received by the entity (ie all cash shortages), discounted by the initial effective interest rate (or effective interest rate) (Adjusted for credit for financial assets purchased or originating from deteriorating financial assets).

Expected credit losses are calculated by weighting the weighted average of credit losses-with each risk of default occurring as a weighting. 12-month expected credit losses are the portion of lifetime expected credit losses representing expected credit losses arising from financial instrument default events that may occur within 12 months after the reporting date. While lifetime expected credit losses are expected credit losses resulting from all possible default events. pay over the estimated life of the financial instrument. Matoviany & Firmansyah (2021) this study concludes that in 2020 there will be a significant increase in the percentage of CKPN on loans when compared to 2019.

## **2.6. Financial Instruments**

In Hedging Accounting Klarissa & Purnamasari (2021) found that the Entity measures the allowance for losses on financial instruments at the amount of expected credit losses over its lifetime, if the credit risk of the financial instrument has increased significantly since initial recognition. If at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity shall measure the allowance for losses on the financial instrument at the amount of the 12-month expected credit loss. These losses represent the expected credit losses arising from default on financial instruments that may occur within 12 months after the reporting date (Sibarani, 2021). Klarissa & Purnamasari (2021) 1. PSAK 71 has no significant effect on the total assets of cyclical consumer sector companies listed on the IDX in 2020. 2. PSAK 71 has no significant effect on the total liabilities of consumer sector companies listed on the IDX in 2020. 3. PSAK 71 does not significant effect on the net income of consumer sector companies listed on the IDX in 2020. 4. PSAK 71 has no significant effect on the total equity of cyclical consumer sector companies listed on the IDX in 2020.

PSAK 71 has a significant effect on the EPS of consumer sector companies listed on the IDX in 2020 (Yusdika & Purwanti, 2021) accounting policies related to bond investments from 6 (six) companies used in the study that have been effective since January 1, 2020, which are in accordance with PSAK 71. Recognition and measurement of bond investments made by companies are in accordance with their respective classifications financial assets determined based on the business model and in managing financial assets and contractual cash flow characteristics. H1: How does Impairment Affect, on Hedging Accounting

Furthermore, research by Matoviany & Firmansyah (2021) and Yusdika & Purwanti stated that in accordance with applicable regulations, the definition of credit is all provision of money or equivalent claims in rupiah and foreign currency, based on an agreement or loan agreement between the Bank and the Bank. Other and Non-Bank Third Parties.

Including the purchase of securities accompanied by a Note Purchase Agreement (NPA), takeover of receivables in the context of factoring, overdraft deposits (debit balances/overdrafts), bills to customers because trade transactions that have matured have not been completed by the customer concerned, and advances/credit of Bank employees that must be repaid by the employee concerned, (Tumbel et al. 2018). Presentation of non-performing loans of PT. BRI Manado branch in accordance with PSAK no. 50 (revised 2010). Recognition and measurement of non-performing loans at PT. BRI Manado branch has complied with PSAK no. 55 (Revised 2011). Disclosure of non-performing loans in its financial statements is in accordance with the application of PSAK no. 60 (revised 2011). Kustina & Putra (2021) There is a significant difference in profitability for 6 months before the application of PSAK 71 and 6 months after the application of PSAK 71.

Nurrahman (2019) and Ilat et al. (2020) that “the presentation of CKPN on financial assets of BRI, BNI, and Bank Mandiri banks are all in accordance with PSAK 50. In measuring PSAK 55, it is in accordance with these standards. The recognition of CKPN is in accordance with PSAK 60. Pakpahan (2019) categories, classification, recognition, measurement is in accordance with PSAK 55. However, in the formation of CKPN there are differences in values. Devi et al. (2021) There is a significant difference in credit distribution between the 2008 and 2020 crises, which indicates that PSAK 71 may be able to mitigate the credit crunch. the bank did not show a significantly different CAR between the

application of PSAK 55 and PSAK 71. In this framework, problems will be discussed in accordance with the problems raised in this study.

This discussion uses concepts and theories that are closely related to the related problems to answer the problems in this study. The problem in this research is the application of PSAK 71 on CKPN to banking sector companies during the Covid-19 pandemic. H2: how is the effect of Financial Accounting Standards on Hedging Accounting.

This study aims to assess the compatibility of the application of PSAK 71 to CKPN in banking sector companies during Covid-19. By comparing the classification, recognition, and measurement of the financial statements of state-owned banks which are samples from the population that are considered to represent the determination in answering the problems in this study. Then it can be analyzed whether the banking sector companies have implemented in accordance with PSAK 71 or not, so that conclusions can be drawn.

In this study, the indicators used are indicators from PSAK 71, which is assessed in this study is the determination of the classification of financial assets, and the impairment approach used in banking sector companies. This indicator has the aim of comparing the financial statements of banking sector companies with PSAK 71 whether the banking sector companies have implemented them in accordance with applicable regulations. Rahayu (2021) claim that ED PSAK 71 is a major breakthrough in improving the quality of financial reporting related to the recognition of impairment of financial instruments so that the information produced is more timely, relevant and understandable by users of financial statements. ED PSAK 71 introduces the expected credit loss method in measuring financial instrument losses. due to impairment of financial instruments. ED PSAK 71 requires immediate recognition of the effects of changes in expected credit losses after initial recognition of financial assets. H3: How Does the Classification of Accounting Measurements Affect Hedge Accounting?

**Table 2 PSAK 71 Indicator**

No.	Indicator	PSAK 71
1.	Determination of classification	The test results are obtained solely from the sole payments of principal and interest (SPPI) as the basis for classification.
2.	Classification of financial assets	Present value is calculated based on profit, amortized cost (AC), and other comprehensive income (OCI).
3.	Reclassification	If there is evidence of a change in the business model.
4.	Approach used in impairment	Expected credit losses.

Source (Prajanto, 2021; Sibarani, 2021)

### **3. RESEARCH METHOD**

This research focuses on the banking industry that is listed on the Indonesia Stock Exchange (IDX). Meanwhile, within the scope of the problem object in this research, it is regarding the application of PSAK 71 in the banking sector listed on the IDX in 2020. The data from the financial statements of banking companies consisting of 4 (four) state-owned banking companies listed on the IDX are taken, (Sugiyono, 2019) using Secondary data in

this study is data in the form of financial statements in 2020, as well as applicable accounting statements (Ghozali, 2016).

### **3.1. Data Collection**

Techniques In this study, the data collection technique used descriptive and verificative documentation methods. Documents can be in the form of writing, pictures, or monumental works of someone (Sugiyono, 2019, p. 314). The documentation in this research is by collecting information and data through literature, literature studies, and financial reports issued by banking companies on the IDX in 2020.

### **3.2. Population**

The population is a generalization area consisting of: objects or subjects that have certain quantities and characteristics determined by researchers to be studied, then conclusions are drawn (Sugiyono, 2019, p. 126). The population in this study are banks listed on the IDX which consist of 43 banking companies.

### **3.3. Sample**

This research uses purposive sampling method. Purposive sampling is a sampling technique with certain considerations (Sugiyono, 2019). The criteria in this study are state-owned commercial banks-State-Owned Enterprises listed on the IDX for the period 2020. The sample in this study amounted to 4 (four) banking companies on the IDX consisting of PT. Bank Rakyat Indonesia (Persero) Tbk, PT. Bank Negara Indonesia (Persero) Tbk, PT. State Savings Bank (Persero) Tbk and PT. Bank Mandiri (Persero) Tbk which is part of the population that is considered to represent the entire population. The criteria for selecting the sample in this study are:

**Table 3** Research Sample

No.	Criteria	Number of Samples
1.	Banking Sector Company listed on IDX	43
2.	Private Commercial Banks (BUSN) Foreign Exchange Listed on the IDX	(36)
5.	Sub-Sector of Islamic Banks Listed on the IDX	(3)
<b>Total Sample</b>		4

Source: www.idx.co.id (Data Processed by Author, 2020)

### **3.4. Data Analysis**

Techniques Data analysis is the process of systematically searching and compiling data obtained from interviews, field notes, and documentation, by organizing the data into categories, breaking them down into units, synthesizing them, arranging them into patterns, choosing what is important and what is important. that will be studied, and draw conclusions so that they are easily understood by themselves and others (Sugiyono, 2019). The analysis technique in this study uses inductive data analysis techniques based on data obtained from financial statements. Financial statement data were selected in order to obtain banking data on the application of PSAK 71. The selected data included the classification of the measurements used in determining asset impairment and the establishment of allowance for impairment losses.

#### 1) Data Collection

Stage The main stage that needs to be done is to collect data from documentation. The data is in the form of data related to accounting policies regarding financial instruments, the policy serves to identify the criteria for recognition and measurement based on PSAK 71. Then the financial statements will be used as material for research to be studied.

2) Data Reduction

Reducing data means summarizing, selecting and selecting the main things, focusing on the things that are important, looking for themes and patterns. Thus, the data that has been reduced will provide a clearer picture, and make it easier for researchers to conduct further data collection, and look for it when needed (Sugiyono, 2019). In this analysis technique, the researcher will determine the suitability of banking in the application of PSAK 71, the appropriate and related data is compiled and entered into the data category. Meanwhile, data deemed not in accordance with PSAK 71 will be separated.

3) Data Presentation

The data presented in this study are accounting policies regarding financial instruments, banking company policies, and financial statements of banking companies in 2020. 4. Drawing Conclusion The fourth step in analyzing qualitative data according to Miles and Huberman is drawing conclusions and verification (Sugiyono, 2019). At this stage, the researcher can confirm in order to sharpen the data and clarify understanding before this research reaches the final conclusion.

Calculation Expected Credit Loss (ECL)

$$ECL = [\sum_{i=1}^n \frac{1}{(1+r)^i} \cdot Pr(\tau = i) \cdot LGD_i \cdot EAD_i]$$

Source: **Engelmann (2018)**

Information::

$$\sum_{i=1}^n \frac{1}{(1+r)^i} \cdot Pr(\tau = i) = \text{Probability of Default ((possibility of default)}$$

i)

$$LGD = \text{Loss Given Default ((assets that are lost if the borrower defaults)}$$

**4. RESULT AND DISCUSSION**

**4.1. Research Result**

After conducting a comparative analysis between banking companies and the Exposure Draft Statement of Financial Accounting Standards: Financial Instruments (ED PSAK 71) in the treatment of allowance for impairment losses (CKPN), the results are as shown in the table below.

**Table 4** Results of Analysis of the Application of PSAK 71 on CKPN in BUMN Banking

No.	Statement of Financial Accounting Standards (PSAK) 71	Company Code				Conclusion
		BBRI	BBNI	BBTN	BMRI	
1.	Classification	√	√	√	√	In accordance
2.	Confession	√	√	√	√	In accordance
3.	Measurement	√	√	√	√	In accordance

Source: Financial Report 2020; BBRI, BBNI, BBTN, and BMRI (Data Processed 2021)

From the results of the analysis in table above, it can be concluded that all banking sector companies are State-Owned Enterprises (BUMN), which include PT. Bank Rakyat Indonesia (Persero) Tbk, PT. Bank Negara Indonesia (Persero) Tbk, PT. State Savings Bank (Persero) Tbk, and PT. Bank Mandiri (Persero) Tbk in its implementation is in accordance with PSAK 71 on CKPN. Analysis Results of the Implementation of State Owned Enterprise Banking CKPN during the Covid-19 Pandemic in 2020

**Table 5** Data CKPN of PT. Bank Rakyat Indonesia (Persero) Tbk

Account	Periode				
	Quarter 4 2019	Quarter 1 2020	Quarter 2 2020	Quarter 3 2020	Quarter 4 2020
Loans granted to third parties	781.199.443	799.458.067	784.657.106	808.956.078	824.698.496
Loans granted to related parties	96.311.750	102.347.637	102.242.404	87.260.722	74.759.711
CKPN for loans granted	38.363.840	56.862.633	53.134.643	58.235.996	65.165.002
CKPN Percentage	4,37%	6,31%	5,99%	6,50%	7,24%

Source: OJK (Data processed by the author, 2021)

**Table 6** Data CKPN of PT. Bank Negara Indonesia (Persero) Tbk

Account	Periode				
	Quarter 4 2019	Quarter 1 2020	Quarter 2 2020	Quarter 3 2020	Quarter 4 2020
Loans granted to third parties	444.823.814	446.652.350	456.255.335	467.759.608	473.299.347
Loans granted to related parties	111.947.133	112.952.010	120.520.376	114.626.648	112.907.440
CKPN for loans granted	16.908.871	32.686.673	36.541.989	41.701.902	44.227.986
CKPN Percentage	3,04%	5,84%	6,34%	7,16%	7,54%

Source: OJK (Data processed by the author, 2021)

**Table 7** Data CKPN of PT. Bank Tabungan Negara (Persero) Tbk

Account	Periode				
	Quarter 4 2019	Quarter 1 2020	Quarter 2 2020	Quarter 3 2020	Quarter 4 2020
Loans granted to third parties	214.807.263	213.075.426	212.753.319	214.891.092	217.711.277
Loans granted to related parties	17.405.276	16.259.499	15.205.871	15.667.044	17.340.839
CKPN for loans granted	5.425.908	12.373.939	12.130.724	12.105.176	12.151.936
CKPN Percentage	2,34%	5,40%	5,32%	5,25%	5,17%

Source: OJK (Data Processed 2021)

**Table 8** Data CKPN of PT. Bank Mandiri (Persero) Tbk

Account	Periode				
	Quarter 4 2019	Quarter 1 2020	Quarter 2 2020	Quarter 3 2020	Quarter 4 2020
Loans granted to third parties	714.451.116	708.329.257	671.873.398	677.700.007	696.122.237
Loans granted to related parties	171.384.121	173.055.337	179.636.787	175.120.004	174.023.228
CKPN for loans granted	29.988.393	53.871.929	55.183.318	58.880.056	62.271.102
CKPN Percentage	3,39%	6,11%	6,48%	6,90%	7,16%

Source: OJK (Data processed by the author, 2021)

The data above shows that the CKPN granted by state-owned banks is relatively larger in 2020 compared to 2019. Here, state-owned banks use PSAK 71 which is forward-looking in calculating expected credit losses (KKE–ECL). Based on the CKPN data from the four state-owned banks above, the value of CKPN tends to be higher in the fourth quarter. Only BTN experienced a decline in reserves since the 2nd quarter. However, the CKPN granted in 2020 was still higher than in 2019. With the table above, it can be concluded that during the Covid-19 pandemic, banking experienced a significant increase. This increase cannot be separated from the influence of Covid-19. However, if seen from table 4, there is a possibility that CKPN will decrease in the following year.

## 4.2. Discussion

### 4.2.1. Application of CKPN at PT. Bank Rakyat Indonesia (Persero) Tbk.

#### 1) Financial

Asset Classification Bank Rakyat Indonesia (BRI) classifies its financial assets upon initial recognition as follows: “Financial assets at fair value through profit and loss (FVTPL) and financial assets at fair value through other comprehensive income (fair value through profit and loss) value through other comprehensive income–FVTOCI). If a financial asset does not meet the requirements to be measured at AC or FVTOCI then the financial asset will be classified at FVTPL. Upon initial recognition, BRI may make an irrevocable option to present non-holding equity instruments for trading at FVTOCI.”

#### 2) Confession

A provision is made by BRI for losses on financial instruments that are not valued at fair value through the use of the mark-to-market method. Investments in equity instruments do not require a credit loss provision. Except for (1) low-credit-risk debt instruments as of the reporting date and (2) other financial instruments for which the credit risk has not materially changed since first identification, BRI assesses the allowance for losses in the amount of expected credit loss (ECL lifetime). When a debt instrument receives a credit risk rating that is similar to the internationally recognized standard of investment grade, BRI considers it to have a low credit risk. Part of the KKE lifespan (along its life) is the 12-month projected credit loss, which indicates the KKE resulting from default events (defaults) of financial instruments that may occur within 12 months of the reporting date.

#### 3) Measurement

Expected credit loss is a probability-weighted estimate of credit loss measured as follows: 1) Financial assets that have not deteriorated at the reporting date, KKE are measured at the difference between the present value of all cash shortages; 2) Financial assets

that have deteriorated at the reporting date; 3) Undrawn loan commitments; and 4) Financial guarantee contracts.

4) Financial Asset

Reclassification BRI reclassifies financial assets if, and only if, the business model for managing financial assets changes. There is no reclassification for financial liabilities, yet Restructured Financial Assets if the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to the borrower's financial difficulties. This amount is included in the calculation of the cash shortage of the existing financial asset which is discounted from the date of derecognition to the reporting date using the original effective interest rate of the existing financial asset. d. Deteriorating Financial Assets At each reporting date, BRI will assess whether the financial assets recorded in AC and debt instruments financial assets recorded in FVTOCI are impaired (deteriorating). A financial asset is impaired when one or more events that have an adverse effect on the estimated future cash flows of the financial asset have occurred.

Assets Purchased or Originated from Purchased or Originated Credit-Impaired Financial Assets (POCI) BRI categorizes financial assets as POCI if there is objective evidence of impairment at initial recognition. At initial recognition, no allowance for credit losses is recognized because the purchase price or value includes an estimated lifetime credit loss. Furthermore, changes in credit loss over its lifetime, whether positive or negative, are recognized in the income statement as part of the allowance for credit losses. The provision for KKE presented by BRI in the statement of financial position is as follows: 1) Financial assets are measured at AC, the allowance for KKE is presented as a deduction from the gross carrying amount of the assets; 2) Loan commitments and financial guarantee contracts, generally the allowance for KKE is presented as a provision; 3) A financial instrument that includes both drawn and undrawn loan commitment components, and BRI is unable to identify the KKE component of the loan commitment that has been withdrawn separately from the component of the undrawn loan commitment, so the allowance for KKE is combined and presented as a deduction from the carrying amount gross. Any excess of the allowance for KKE over the gross carrying amount is presented as a provision; and 4) Debt instruments measured at FVTOCI, allowance for KKE are not recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the allowance for KKE is disclosed and recognized in other comprehensive income (OCI) of the fair value component.

#### **4.2.2. Application of CKPN at PT. Bank Negara Indonesia (Persero) Tbk.**

1) Classification

Bank Negara Indonesia (BNI) classifies its financial assets upon initial recognition as follows: Financial assets measured at FVTPL and financial assets measured at FVTOCI. Financial assets are measured at AC if they meet the following conditions: “(1) Financial assets are managed in a business model that aims to hold financial assets in order to obtain contractual cash flows; and (2) The contractual terms of the financial asset entitle the SPPI to a specific date solely of the principal amount owed. If other financial assets do not meet the requirements to be measured at AC or FVTOCI, then the financial assets will be classified as measured at FVTPL. Upon initial recognition, BNI may make an irrevocable option to present non-holding equity instruments for trading at FVTOCI.”

2) Confession

BNI recognizes allowance for KKE on financial instruments that are not measured at FVTPL. There is no KKE allowance for equity instrument investments. BNI measures the loss reserve of a lifetime KKE, except for the following, which is measured as a 12-month KKE; (1) Debt instruments that have low credit risk at the reporting date; and (2) other financial instruments whose credit risk has not significantly increased since initial recognition. BNI considers debt instruments to have low credit risk when the credit risk rating is equivalent to the globally understood definition of investment rating. The 12-month expected credit loss is the portion of the KKE lifetime that represents the KKE arising from financial instrument default events that may occur within 12 months after the reporting date.

3) Measurement

Expected credit loss is a probability-weighted estimate of credit loss measured as follows: “1) Financial assets that have not deteriorated at the reporting date, KKE are measured at the difference between the present value of all cash shortages (ie the difference between the cash flows owed to BNI in accordance with the contract and the cash flows expected to be received by BNI); 2) Financial assets that have deteriorated at the reporting date, KKE are measured at the difference between the gross carrying amount and the present value of the estimated future cash flows; 3) Loan commitments that have not been withdrawn, KKE is measured at the difference between the present value of the total cash flows if the commitment is withdrawn and the cash flows expected to be received by BNI bank; 4) Financial guarantee contracts, KKE are measured at the difference between the estimated payments to reimburse the holder for credit losses incurred less the amount expected to be recovered.”

4) Financial Asset Reclassification

BNI reclassifies financial assets if, and only if, the business model for managing financial assets changes, likewise Restructured Financial Assets if the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to the borrower's financial difficulties. This amount is included in the calculation of the cash shortage of the existing financial asset which is discounted from the date of derecognition to the reporting date using the original effective interest rate of the existing financial asset

a) Deteriorating Financial Assets by BNI

At each reporting date, BNI assesses whether the financial assets recorded in AC and financial assets of debt instruments recorded in FVTOCI are impaired. A financial asset is impaired when one or more events that have an adverse effect on the estimated future cash flows of the financial asset have occurred. BNI states several events that can be evidence that a financial asset has impaired credit including observable data regarding the following events: “1) Significant financial difficulties experienced by the issuer or borrower; 2) Contract breaches, such as default events or arrears events; 3) The lender, for economic or contractual reasons in connection with the borrower's financial difficulties, has made concessions to the borrower which would not have been possible had the borrower not experienced such difficulties; 4) There is a possibility that the borrower will be declared bankrupt or undertake other financial reorganization; or 5) Loss of an active market for

financial assets due to financial difficulties. 6) Purchase or issue of financial assets at a very large discount reflecting the credit losses incurred.”

b) Assets Purchased or Originated from Purchased or Originated Credit–Impaired Financial Assets (POCI)

BNI categorizes financial assets as POCI if there is objective evidence of impairment at initial recognition. At initial recognition, no allowance for credit losses is recognized because the purchase price or value includes an estimated lifetime credit loss. Furthermore, changes in credit loss over its lifetime, whether positive or negative, are recognized in the income statement as part of the allowance for impairment losses (CKPN). Allowance for expected credit losses presented by BNI in the statement of financial position is as follows: “1) Financial assets are measured at AC, the allowance for KKE is presented as a deduction from the gross carrying amount of the assets; 2) Loan commitments and financial guarantee contracts, allowance for KKE are presented as a provision; 3) Debt instruments measured at FVTOCI, allowance for KKE are not recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the allowance for KKE is disclosed and recognized in OCI.”

a) Assets Purchased or Originated from Purchased or Originated Credit–Impaired Financial Assets (POCI)

BTN sets the definition of a significant increase in the credit risk of financial instruments since initial recognition as follows: in accordance with PSAK 71's rebuttable presumption, namely when contractual payments are more than 30 days in arrears; or when there is a restructuring of financial assets caused by an increase in credit risk. BTN applies the definition of default (stage 3) which is consistent with the definition used for internal credit risk management purposes for the relevant financial instruments, namely: “when the financial instrument is 90 days past due; or already at BI collectibility 3, 4, or 5. 4.4. The application of CKPN at PT. Bank Mandiri (Persero) Tbk a. Classification Bank Mandiri classifies financial assets on initial recognition based on the following categories: Financial assets measured at FVTPL and financial assets measured at FVTOCI. Financial assets are measured at AC if the conditions are: (1) Financial assets are managed in a business model whose objective is to hold financial assets in order to obtain contractual cash flows; and (2) Cash flow solely from the principal of the SPPI the amount owed.”

Financial assets are measured at fair value through FVTOCI if the following conditions: “(1) The financial assets are managed for the purpose of obtaining contractual cash flows and selling the financial assets; and (2) Contractual cash flows solely from the SPPI amount owed. At the time of initial recognition, Bank Mandiri has determined this classification is intended for financial instruments held for trading measured at FVTPL.” b. Confession Financial assets classified as other than those measured at FVTPL: “(1) Impairment of financial assets at amortized cost is recognized as a deduction from the carrying amount of assets in the statement of financial position, and recognized in the income statement as ‘cost of CKPN formation’; (2) Impairment of financial assets (excluding equity instruments) measured at FVTOCI is recognized as an addition to OCI in the statement of financial position (not reducing the carrying amount of financial assets in the financial statements) as “unrealized gain or loss”, and recognized in in the income statement as “cost of CKPN formation”. c. Measurement Loan commitments or irrevocable withdrawals (Committed):

1) Impairment of loan commitments is recognized as a provision for the liability component of Bank Mandiri which is recorded separately from the related loan assets as "Provision for Expected Credit Loss on Loan Commitments", except for the Bank Mandiri cannot identify separately; 2) In such circumstances, the impairment in the value of the loan commitments and the loan assets are recognized together as a deduction from the carrying amount of the assets in the statement of financial position.

Financial guarantee contracts Impairment of financial guarantee contracts is recognized as a provision on Bank Mandiri's liability component as "Provision for Expected Credit Losses on Financial Guarantee Contracts". "a. Financial Asset Reclassification Bank Mandiri reclassifies its financial assets if Bank Mandiri changes its business model for managing financial assets and Bank Mandiri is not allowed to reclassify financial liabilities. Changes in the business model must have a significant impact on Bank Mandiri's operational activities such as acquiring, divesting, or terminating a line of business. In addition, Bank Mandiri needs to prove these changes to external parties. Bank Mandiri will reclassify all financial assets affected by changes in the business model. Changes in the objectives of Bank Mandiri's business model must take effect before the reclassification date. b. Restructured Financial Assets Bank Mandiri assesses whether a financial asset has been modified substantially or not substantially by a business unit authorized to modify or restructure financial assets when the business unit undertakes modification or restructuring of a financial asset. Bank Mandiri will then measure the financial assets that have been substantially or not substantially modified in the following manner: 1) Substantial modification of a financial asset: (a) When the contractual cash flows of a financial asset are renegotiated/modified (among others when credit is restructure; d) where the renegotiation or modification results in derecognition of a financial asset".

Bank Mandiri will record the financial asset as a financial asset new/modified on the date of modification/negotiation; (b) The difference between the gross carrying amount of the original financial asset and the fair value of the modified asset is recognized in profit or loss; (c) Revenue or transaction costs incurred in connection with the modification event are recognized as part of the gain or loss on the modification; (d) Furthermore, Bank Mandiri will assess whether the new/modified financial assets are assets originating from deteriorating financial assets; (e) The recognition of interest income on assets originating from deteriorating financial assets is determined based on the risk-adjusted effective interest rate to discount the modified cash flows of the financial asset. 2) Substantial modification of financial assets: "(a) When Bank Mandiri renegotiates or modifies contractual cash flows of financial assets (including when credit is restructured) that do not meet the criteria for substantial modification of financial assets above, such renegotiation or modification does not result in derecognition of a financial asset; (b) The gross carrying amount of financial assets is calculated as net present value of modified or renegotiated contractual cash flows discounted using the original effective interest rate; (c) Bank Mandiri then recognizes the gain or loss from the modification (i.e. the change in the gross carrying amount of the financial asset) in the income statement; (d) Revenue or transaction costs incurred in connection with the modification event are recognized as an adjustment to the carrying amount of the modified financial asset and amortized over the remaining term of the modified financial asset."

a) Deteriorating Financial Assets of Bank Mandiri

At each consolidated statement of financial position date, Bank Mandiri evaluates whether there is a significant increase in credit risk or there is objective evidence of impairment. The criteria used by Bank Mandiri to determine objective evidence of impairment are as follows: “1) significant financial difficulties experienced by the issuer or borrower; 2) breach of contract, such as default events or arrears events; 3) the lender, for economic or contractual reasons in connection with the borrower's financial difficulties, has made concessions to the borrower that would not have been possible if the borrower had not experienced such difficulties; 4) there is a possibility that the borrower will be declared bankrupt or undertake other financial reorganization; 5) loss of an active market for financial assets due to financial difficulties; or 6) purchase or issue of financial assets at very large discounts reflecting credit losses incurred.”

b) Assets Purchased or Originated from Purchased or Originated Credit-Impaired Financial Assets (POCI)

Bank Mandiri uses criteria to determine impaired financial assets by classifying the level of asset risk. Stage-3 and POCI group financial assets are assets that are impaired. Below are Bank Mandiri's criteria for assets purchased from deteriorating financial assets. “1) Assets purchased as financial assets deteriorate if they meet these criteria: a) loss of active markets for financial assets; or b) purchase of financial assets with big discount. 2) Assets originating from deteriorating financial assets have the following criteria: a) Modified/renegotiated financial assets resulting in derecognition of financial assets. b) At the reporting date, Bank Mandiri only recognizes cumulative changes in KKE over its life since the initial recognition of financial assets as an allowance for losses on financial assets. c) At each reporting date, Bank Mandiri recognizes the amount of changes in KKE over its lifetime in profit or loss as an impairment gain or loss. d) If it is proven that financial assets are improving, Bank Mandiri will record it in the income statement as a deduction from the cost of establishing an allowance for impairment losses. e) If it is proven to be deteriorating, then Bank Mandiri will record it in the income statement as an addition to the expense of establishing an allowance for impairment losses.”

#### 4.2.3. Evaluation of CKPN

During the Covid-19 Pandemic in 2020 4.5.1. Evaluation of CKPN PT. Bank Rakyat Indonesia (Persero) Tbk Based on the financial statements of PT. Bank Rakyat Indonesia (Persero) Tbk as of December 31, 2020 and 2019, the gross credit balance and CKPN are evaluated as follows.

**Table 9** Gross Credit Balance and CKPN of Bank Rakyat Indonesia Tbk in 2020 and 2019

	<b>31 December 2020</b>	<b>31 December 2019</b>
Individual	61.073.398	38.017.682
Collective	838.384.809	839.413.511
Total	899.458.207	877.431.193
Impairment:		
Individual	(29.101.946)	(16.860.013)
Collective	(36.063.056)	(21.503.827)
Total	(65.165.002)	(38.363.840)

Clean	<b>834.293.205</b>	<b>839.067.353</b>
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Source: : Bank Rakyat Indonesia, 2020

Table 9 shows that the decrease in the value of BRI individually experienced a difference in the increase in the decrease in value of Rp. 12,241,933. As for the collective decline, there was an additional difference in impairment of Rp. 14,559,229. The total of the overall decline in the value of BRI increased to Rp. 26,801,162. This increase can be stated as the influence of the Financial Services Authority (OJK) policy Number 11/POJK.03/2020 concerning National Economic Stimulus as a Countercyclical Policy for the Impact of the Spread of Covid-19 for Banking. The main purpose of this regulation is to reduce bad loans due to Covid-19. With this policy, BRI was forced to provide larger reserves than the previous year in order to reduce bad loans. This regulation resulted in BRI's profit experiencing a negative growth of Rp. (4,774,148). This negative growth cannot be separated from the negative impact of the Covid-19 pandemic.

- 1) Evaluation of CKPN PT. Bank Negara Indonesia (Persero) Tbk Based on the financial statements of PT. Bank Negara Indonesia (Persero) Tbk as of December 31, 2020 and 2019, the gross credit balance and CKPN are evaluated as follows.

**Table 10** Gross Credit Balance and CKPN of  
Bank Negara Indonesia Tbk in 2020 and 2019

	<b>31 December 2020</b>	<b>31 December 2019</b>
Individual	58.497.026	35.167.757
Collective	527.709.761	521.603.190
Total	586.206.787	556.770.947
Impairment:		
Individual	(32.006.262)	(7.410.545)
Collective	(12.221.724)	(9.498.326)
Total	(44.227.986)	(16.908.871)
Clean	<b>541.968.801</b>	<b>539.862.076</b>

Source:: Bank Negara Indonesia, 2020

Table 10 shows that the decrease in the value of BNI individually has a difference in the increase in the decrease in value of Rp. 24,595,717. Meanwhile, collectively, the difference in reserves provided by BNI is Rp. 2,723,398. For the total difference in the value of BNI, which is Rp. 27,319,115. BNI's net profit in 2020 experienced a positive increase compared to the previous year. BNI was able to maintain its net profit despite implementing OJK Policy Number 11/POJK.03/2020, in contrast to BRI which actually experienced a decrease in profits when implementing this policy. With a positive increase of Rp. 2,106,725, the strategy carried out by BNI management is able to minimize losses due to bad loans. In this case, it can be stated that the Covid-19 pandemic does not have a negative impact on BNI.

- 2) Evaluation of CKPN PT. State Savings Bank (Persero) Tbk Based on the financial statements of PT. State Savings Bank (Persero) Tbk as of December 31, 2020 and 2019, gross credit balance and CKPN evaluated as follows:

**Table 11** Gross Credit Balance and CKPN of State Savings Bank Tbk in 2020 and 2019

	<b>31 December 2020</b>	<b>31 December 2019</b>
Individual	11.401.436	11.799.175
Collective	223.650.680	220.413.364
Total	235.052.116	232.212.539
Impairment:		
Individual	(6.920.979)	(3.978.472)
Collective	(5.230.957)	(1.447.436)
Total	(12.151.936)	(5.425.908)
Clean	<b>222.900.180</b>	<b>226.786.631</b>

Source: Bank Tabungan Negara, 2020

Table 11 shows that the decrease in the value of BTN individually has a difference of increase of Rp. 2,942,507. Meanwhile, collectively, the difference in impairment provided by BTN is Rp. 3,783,521. For the total difference in the impairment value of BTN, the value decreased by Rp. 6,726,028. BTN experienced negative growth the same as BNI, in which this increase in reserves resulted in BTN's profit falling to Rp. (3,886.451). This decline in profit was influenced by OJK policy Number 11/POJK.03/2020 which requires banks to provide larger reserves to reduce bad loans due to the Covid-19 pandemic. The Covid-19 pandemic has greatly affected BTN's net profit. Although BTN reduced its reserves in the 3 (three) and 4 (fourth) quarters as shown in table 4.4., the decline was still not able to increase profits as did BNI. However, there is still a possibility that BTN's net profit in the following year will increase.

- 3) Evaluation of CKPN PT. Bank Mandiri (Persero) Tbk Based on the financial statements of PT. Bank Mandiri (Persero) Tbk as of December 31, 2020 and 2019, gross credit balance and CKPN evaluated as follows:

**Table 12** Gross Credit Balance and CKPN Bank Mandiri Tbk in 2020 and 2019

	<b>31 December 2020</b>	<b>31 December 2019</b>
Rupiah	730.338.317	744.804.339
Foreign currency	139.807.148	141.030.898
Total	870.145.465	885.853.237
Less: reserve		
Impairment loss	(62.271.102)	(29.988.393)
<b>clean</b>	<b>807.874.363</b>	<b>855.846.844</b>

Source: Bank Mandiri, 2020

In table 12 above, it shows that the difference between 2020 and 2019 decreased the value of Bank Mandiri by Rp. 32,282,709. From the table above, it can be further noted that Bank Mandiri's profit growth experienced a very significant decline compared to BNI and BTN, which experienced a negative growth of Rp. (47,972,481). This is closely related to the surprising Covid-19 pandemic, so that Bank Mandiri's management has difficulty in making decisions to determine the amount of reserves to be provided, which has an impact on Bank Mandiri's profit growth.

## 5. CONCLUSION

Based on the formulation of the problem in this study, that the banking sector companies listed on the Indonesia Stock Exchange (IDX) have implemented PSAK 71 in accordance with applicable regulations. In the classification, banking sector companies measure CKPN through the expected credit loss lifetime (ECL–lifetime) if it is proven to have defaulted, but if there is evidence that the financial instrument has low credit risk and has not increased significantly since initial recognition, the number of ECL will be measured in 12 months. In recognition, banking sector companies recognize expected credit losses not measured at fair value through profit and loss–FVTPL if the financial asset has not deteriorated at the reporting date and deteriorated at the reporting date, loan commitments are received, and the guarantee contract is reinstated. Banking sector companies recognize ECL–12 months if the financial instrument has low credit risk. In its measurement, banking sector companies will measure a number of ECL–lifetime if the financial instrument experiences a significant increase at initial recognition. If there is evidence of no significant improvement since initial recognition, it will be measured using an ECL –12 months. Banking sector companies also add forward-looking information that is reasonable and supported. During the Covid-19 pandemic, banking sector companies provided larger reserves than the previous year. This increase in reserves is in accordance with OJK policy Number 11/POJK.03/2020 which aims to reduce bad loans due to the Covid-19 pandemic.

The researcher's suggestion is that it is hoped that there will be further research on the mechanism for calculating the formation of CKPN during the COVID-19 pandemic related to default and it is also better for further researchers to expand the object of research. So that the limitations of the compiler can be developed again.

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