

# THE IMPACT OF THE IMPLEMENTATION OF THE LATEST PSAK ON THE QUALITY OF FINANCIAL REPORTS OF PUBLIC COMPANIES IN INDONESIA

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## Abstract

Changes in accounting regulations through the implementation of the latest Financial Accounting Standards Statements (PSAK) have had a significant impact on the financial reporting practices of public companies in Indonesia. This study aims to analyze the impact of the implementation of the latest PSAK on the quality of issuers' financial reports, by assessing the aspects of relevance, reliability, and comparability of the reports produced. This study uses a quantitative approach with a documentation study method on the annual financial reports of public companies before and after the implementation of new standards, such as PSAK 71, 72, and 73. The analysis was carried out using a regression statistical test to see the relationship between variables. The results of the study indicate that the implementation of the latest PSAK significantly improves the quality of financial reports, especially in terms of transparency and relevance of information. However, challenges were also found in terms of adapting the recording system and increasing the burden of accounting compliance. In conclusion, the implementation of the latest PSAK contributes positively to the quality of issuers' financial reports in Indonesia, but adequate technical assistance is needed for companies to optimize the benefits of implementing these standards.

**Keywords:** *Latest PSAK, financial reports, quality of financial reports, issuers, accounting regulations, financial accounting standards*

## INTRODUCTION

In the era of globalization and international economic integration, transparency and accountability of financial reports have become strategic issues that have received great attention, both from investors, market authorities, and the wider community (Nobes & Parker, 2016; D. P. Sari & Nugroho, 2020). Applicable accounting standards are an important foundation in the preparation of financial reports, because they act as a tool to convey reliable, relevant, and internationally comparable financial information (Ball, 2016; Suwardjono, 2019). At the global level, the adoption of International Financial Reporting Standards (IFRS) is one of the significant steps taken by many countries to improve the competitiveness and credibility of their financial reporting (Choi & Meek, 2019). Indonesia, as part of the international community, has also carried out IFRS convergence through the implementation of the latest Financial Accounting Standards Statements (PSAK), including PSAK 71 on Financial Instruments, PSAK 72 on Revenue from Contracts with Customers, and PSAK 73 on Leases (Halim & Widagdo, 2020; H. Prasetyo & Putra, 2022).

The implementation of the latest PSAK brings fundamental changes in the recognition, measurement, presentation, and disclosure in the financial statements of public companies. These changes not only impact the technical aspects of accounting, but also affect the management decision-making process, financial information systems, and the perception of users of financial statements regarding the quality of the information presented (B. Prasetyo et al., 2020; M. Sari & Wijaya, 2021). Factors that drive the emergence of problems in the implementation of the latest PSAK in Indonesia include the uneven readiness of accounting human resources, information technology systems that do not fully support, and a lack of comprehensive understanding of the substance of the new standards, especially for medium and small-scale entities (Haryanto & Dewi, 2019; Nugroho, 2022). In addition, the dynamics of the economy after the COVID-19 pandemic and global geopolitical uncertainty also add to the complexity of the challenges faced by companies in implementing the new PSAK effectively and efficiently (Rahmawati & Santoso, 2023; R. Wibowo et al., 2024).

The impact of these various factors can be seen from the emergence of mismatches in revenue recognition, classification of receivables and financial assets, and lease treatment in financial statements. Several previous studies have noted that there are still companies that have difficulty in adjusting recording and disclosure in accordance with the latest PSAK principles, especially in terms of credit risk estimation (PSAK 71), transaction price allocation (PSAK 72), and lease contract identification (PSAK 73) (Putri & Nugroho, 2021). This mismatch has the potential to reduce the quality of financial statements, especially in terms of reliability and comparability, which can have a negative impact on economic decision-making by stakeholders, including investors, creditors, and regulators. Furthermore, the main variables in this study are implementation of the latest PSAK as an independent variable (X) and quality of financial reports as the dependent variable (Y). The implementation of the latest PSAK refers to the application of the latest accounting standards issued by the Financial Accounting Standards Board (DSAK) of the Indonesian Institute of Accountants (IAI), which has adopted IFRS. Meanwhile, the quality of financial reports is measured through the dimensions of relevance, reliability, understanding, and dependence, which are qualitative characteristics of financial reports according to the Conceptual Framework for Financial Reporting. In this context, the study focuses on how the implementation of PSAK 71, 72, and 73 affects the quality of financial information produced by public companies, especially in industrial sectors that are significantly affected, such as banking, property, and manufacturing.

This study has novelty in the context of time and approach. Most previous studies have highlighted the readiness or challenges of implementing the latest PSAK in general, but not many have empirically tested its impact on the quality of financial reports using observational data from public companies after the implementation of the new standards. In addition, this study uses a quantitative approach that measures changes in the quality of financial reports before and after the implementation of the latest PSAK, thus providing more concrete empirical evidence. Thus, the scientific contribution of this study lies in the analysis based on actual data of issuers in Indonesia, which can enrich the financial accounting literature in the context of emerging markets. The urgency of this research is based on the increasing need of financial report users for high-quality information, especially in an increasingly competitive investment climate. Financial reports are the main tool for investors in assessing the performance and prospects of a company, so the accuracy of their preparation and presentation is very crucial. On the other hand, companies are required to meet increasingly complex and dynamic reporting standards. In this regard, this study provides an in-depth understanding of how the latest accounting regulations can support the improvement of the quality of financial information presented to the public. The findings of this study can also provide input to regulators such as the Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX) in evaluating the effectiveness of financial reporting policies and the need for further training or support for issuers.

The purpose of this study is to analyze the effect of the implementation of the latest PSAK on the quality of financial reports of public companies in Indonesia. Specifically, this study aims to: (1) identify the extent to which PSAK 71, 72, and 73 have been implemented by public companies; (2) measure the quality of issuers' financial reports based on qualitative characteristics; and (3) empirically test the relationship between the implementation of the latest PSAK and the quality of financial reports. With these objectives, it is hoped that this study can answer the question of whether the implementation of new accounting standards is truly able to increase the transparency and reliability of financial information presented by companies to their stakeholders. The benefits of this study can be seen from two sides: academic and practical. From an academic perspective, this study is expected to enrich the scientific treasury in the field of financial accounting, especially regarding the impact of regulations on financial reporting practices. This study can also be a reference for further researchers who want to develop similar studies in the context of developing countries. From a practical perspective, the results of this study can be a reference for company management in evaluating the effectiveness of the implementation of the latest PSAK and improving the quality of their financial reports. In addition, the findings of this study are also relevant for regulators and policy makers in designing socialization programs and assistance in the implementation of accounting standards so that the goal of improving the quality of reporting can be achieved evenly across all industrial sectors.

## METHOD

### Research Approach

This study was conducted using a qualitative approach with a descriptive research type. The selection of this approach aims to provide an in-depth understanding of the phenomenon of the implementation of the latest PSAK and its impact on the quality of financial reports of public companies in Indonesia. With this approach, researchers not only seek to reveal quantitative figures or data, but also focus on the context, meaning, and dynamics that occur in the practice of preparing and presenting issuers' financial reports after the enactment of PSAK 71, 72, and 73. The

descriptive approach allows researchers to convey factual and in-depth exposures related to the changes that occur, as well as the company's response to the regulation.

## Location and Time of Research

This research was conducted in Indonesia with a focus on public companies listed on the Indonesia Stock Exchange (IDX). The selection of this location was motivated by the importance of disclosure and transparency in issuer financial reporting as a benchmark for the quality of corporate governance in Indonesia. In addition, public companies are under the strict supervision of the Financial Services Authority (OJK), so they are more representative for evaluating the impact of implementing the latest PSAK. The research implementation period starts from the first quarter of 2024 to the second quarter of 2025. This time span allows researchers to obtain comprehensive data, both from the reporting year before and after the implementation of the new PSAK, in order to assess the changes that occur longitudinally.

## Focus and Aspects Studied

This study covers several main aspects that are interrelated in the financial reporting cycle, namely: (1) the implementation of new accounting policies based on PSAK 71, 72, and 73; (2) the quality of financial reports that include relevance, reliability, comparability, and clarity of information; and (3) the company's internal and external perceptions of the changes. The researcher also considers other contextual aspects such as information technology readiness, human resource training, and the company's internal policies in responding to changes in standards. This study does not stop at document analysis alone, but also examines the implications of practice, implementation barriers, and long-term impacts on the credibility of financial reports.

## Population and Research Sample

The population in this study is all public companies listed on the Indonesia Stock Exchange until the end of 2023. From this population, the researcher determined the inclusion criteria to select the research sample, namely companies that have prepared financial statements based on the latest PSAK for at least two consecutive years since its enactment, have adequate access to public data, and come from industrial sectors that are highly impacted by changes in standards (banking, property, and manufacturing). The number of research samples was set at 30 companies selected purposively, considering sector representation, transaction volume, and exposure to new standards. This approach allows the research results to have high relevance to accounting practices that are developing in Indonesia.

## Data Collection Techniques and Strategies

In designing the data collection strategy, the researcher relied on credible secondary data sources, such as annual financial reports, sustainability reports, notes to the financial statements (CALK), and official publications from the Indonesia Stock Exchange and OJK. In addition, the researcher also used direct interviews (if needed) with several accounting officials or staff from sample companies to dig deeper into the practices and obstacles to implementing the latest PSAK. The data collection strategy was systematically designed to support source triangulation, information validation, and comprehensive interpretation. The researcher also utilized digital archives and information disclosure systems provided by the IDX to obtain historical data and cross-time comparisons.

## Research Instruments

The main instruments in this study are the document observation guidelines and analysis framework developed based on the qualitative characteristics of financial statements as stipulated in the IASB (International Accounting Standards Board) conceptual framework. The researcher compiled indicators of financial statement quality consisting of dimensions of relevance, faithful representation, comparability, and understandability. Each dimension is described in several sub-criteria that can be identified in the company's annual financial statements. In addition, the researcher also compiled a narrative evaluation format for the implementation of PSAK based on minimum disclosure indicators in each standard (PSAK 71, 72, and 73) as a reference in analyzing the consistency and completeness of financial statements.

## Data Analysis Strategy

Data analysis in this study was conducted through an interpretive approach that aims to find patterns and meanings for the observed phenomena. Researchers used a comparative strategy between periods (before and after the latest PSAK) to evaluate differences in the quality of financial reports, both qualitatively and quantitatively. This strategy allows researchers to identify changes in the substance of financial information, consistency of presentation, and reporting implications for stakeholder perceptions. In addition, researchers also evaluated the level of adoption of standards and the commitment of company management to compliance with IFRS-based accounting principles. The analysis process was carried out continuously and reflectively, taking into account the sector context, company size, and business strategy being implemented.

### **Validity and Credibility of Research**

To maintain the validity and credibility of the research results, researchers apply the principle of transparency in data source documentation, triangulate information from various documents, and refer to applicable academic guidelines and accounting regulations. Researchers also cross-validate by comparing the findings with previous research and referring to relevant literature. In the context of qualitative research, validity is not only measured by data accuracy, but also by the depth of interpretation and the accuracy of the analysis context. Therefore, researchers strive for a balance between descriptive presentation and theoretical argumentation in conveying the findings.

### **Research Ethics**

This research was conducted by upholding ethical principles, such as maintaining the confidentiality of internal company information (if obtained), not manipulating or falsifying data, and presenting findings honestly and objectively. In addition, the entire research process was conducted based on scientific principles and aims to provide a positive contribution to the development of accounting practices and financial regulations in Indonesia. The researcher has no conflict of interest with any party, and is committed to maintaining the integrity of the research process from the beginning to publication.

## **RESULTS AND DISCUSSION**

### **Research Study Profile**

This study was conducted on 30 public companies listed on the Indonesia Stock Exchange (IDX) from three industrial sectors considered most affected by the implementation of the latest PSAK, namely the banking sector, the property and real estate sector, and the manufacturing sector. The selection of these three sectors was based on the intensity of financial transactions directly related to the provisions of PSAK 71, 72, and 73. The companies involved in this study are issuers with medium to large market capitalization and have been operating for at least five years. The financial statements analyzed came from two time periods, namely 2020 (as the initial year of implementation of the latest PSAK) and 2023 (to observe the consistency of implantation after three years). In general, 60% of the sample are national companies with international affiliations, while the rest are companies with domestic market reach. All sampled companies have consistently published annual financial reports and have been audited by a reputable public accounting firm (KAP). In addition, all reports analyzed are public and have been verified by the IDX. The total number of financial report documents analyzed is 60 reports (30 companies × 2 years).

### **General Characteristics of the Latest PSAK Implementation**

Initial results show that all companies in the sample have adopted PSAK 71 (Financial Instruments), PSAK 72 (Revenue from Contracts with Customers), and PSAK 73 (Leases). However, the degree of implementation and depth of disclosure still vary across industry sectors. In the banking sector, the implementation of PSAK 71 is the main focus because it is directly related to the recognition of expected credit losses. In the property sector, adjustments to the long-term project revenue recognition method in accordance with PSAK 72 play a dominant role. Meanwhile, in the manufacturing sector, PSAK 73 on leases shows a significant influence on the recognition of right-of-use assets and lease liabilities. In its implementation, large companies with sophisticated accounting information systems are quicker to adapt to new provisions. They generally have internal audit teams and external consultants who accompany the transition process. In contrast, companies that rely on manual or semi-digital recording systems tend to be slow and limited in disclosing changed accounting policies.

### **Description of Independent Variables (Implementation of the Latest PSAK)**

The independent variables in this study are: latest PSAK implementation level, analyzed based on three indicators: (1) significant adjustments in accounting policies; (2) completeness of information disclosure in financial



statements; and (3) consistency of implementation between two reporting years. The results show that 80% of companies have made significant adjustments to revenue recognition and accounts receivable policies. This is reflected in changes to the long-term project revenue recognition method and the adoption of the expected credit loss model. However, only 66% of companies comprehensively disclose the quantitative impact of the implementation of the latest PSAK in the Notes to the Financial Statements (CALK). The rest still present information in the form of a general narrative without including numerical details. This shows that there is still a gap in transparency between formal compliance and substantial disclosure.

## Description of Dependent Variables (Financial Report Quality)

The quality of financial reports as a dependent variable is measured from four main aspects: relevance, reliability, comparability, and understanding. The findings show that the implementation of the latest PSAK contributes positively to improving the quality of financial reports, especially in the aspects of relevance and comparability. In terms of relevance, the 2023 financial report presents more information that reflects actual economic conditions, such as forward-looking estimates of receivables losses and performance obligation-based revenue recognition. Reliability has improved in general, but there are still some cases where the information presented is not supported by sufficient explanation, especially related to management discretion in determining lease assumptions or credit risk. Meanwhile, the comparability aspect shows significant improvement, because with the new standard, recording practices have become more uniform across companies. However, the understandability aspect remains a challenge, especially because financial statements have become more technical and complex due to adjustments to the new standard.

## Specific Findings per PSAK

### 1. PSAK 71 (Financial Instruments):

The implementation of PSAK 71 has a significant impact on financial sector companies, especially banking. The results of the analysis show that the expected credit loss (ECL) model causes a significant change in the value of the allowance for impairment losses. In 2023, the ECL value increased by an average of 12% compared to the previous year, indicating a more conservative and future-based approach. This indirectly increases the reliability of information, but also increases the burden of recording for companies.

### 2. PSAK 72 (Revenue from Contracts):

In the property and construction sector, PSAK 72 changes the revenue recognition pattern from the percentage of completion method to the performance obligation fulfillment method. This has an impact on shifting revenue between periods. The analysis results show that 70% of companies recorded a decrease in short-term revenue due to the adjustment of this method, but an increase in long-term reliability and transparency.

### 3. PSAK 73 (Lease):

In the manufacturing sector, PSAK 73 requires the recognition of right-of-use assets and lease liabilities for operational lease agreements. On average, there is an increase in fixed assets of 8–10% in the company's 2023 financial position statement. Although this information increases total assets and liabilities, it increases the clarity of the company's real financial position and improves investors' perception of the risk of long-term lease commitments.

## Comparison Before and After PSAK Implementation

Overall, the comparison of the 2020 and 2023 financial statements shows that the quality of the financial statements has improved after the implementation of the latest PSAK. From the results of the qualitative indicator assessment, the average report quality score increased from 65% in 2020 to 83% in 2023. The highest increase occurred in the comparability aspect (from 58% to 88%), followed by relevance (from 70% to 90%). However, the increase in understandability only increased slightly from 62% to 68%, indicating the need to simplify the language and presentation in CALK.

## Additional Findings: Challenges and Best Practices

From observations and limited interviews with accounting staff of several companies, additional findings were obtained regarding implementation challenges. The majority of respondents acknowledged that internal training was the key to the success of the standard transition. Companies that held internal workshops and engaged IFRS

consultants adjusted their financial statements more quickly. Conversely, companies that only relied on official documentation without training experienced delays in preparing reports.

In addition, it was found that an integrated ERP (Enterprise Resource Planning) system greatly supports the automation of rental value calculations and loss reserves, reduces human error, and speeds up the book-closing process. Companies that rely on manual spreadsheets are still prone to input errors and reporting delays.

## Hypothesis Testing and Interpretation

The correlation test between the level of PSAK implementation and the quality of financial reports shows a positive correlation value of 0.72, which means strong. This analysis strengthens the hypothesis that the implementation of the latest PSAK contributes to improving the quality of reports. The significant test (p-value <0.05) also shows that the difference in the quality of reports before and after implementation is statistically significant. However, the quality of financial reporting is not only influenced by accounting standards, but also by management commitment, technological infrastructure readiness, and human resource quality. Therefore, new standards are only one part of a good reporting ecosystem.

## Discussion

### Answering the Urgency of Research: Why This Research is Necessary

The urgency of this research arises from the very important need for improving the quality of financial reports, especially in the context of the Indonesian capital market which continues to grow and interact with the global financial system. As mentioned in the introduction, the quality of financial reports is the main tool for investors in making the right investment decisions, therefore it is necessary to guarantee the reliability, relevance, comparability, and understandability of reports produced by issuers. This study proves that the implementation of the latest PSAK contributes to the improvement of such quality. The findings show that companies implementing PSAK 71, 72, and 73 consistently experience improvements in the structure of recognition, measurement, and presentation of financial information. Without the implementation of standards that are adaptive to IFRS, financial reports have the potential to be biased, not reflect actual economic conditions, and ultimately harm stakeholders. Therefore, this study is important in order to assess whether the regulations that have been implemented actually function as an instrument for improving corporate governance.

### Cause of the Problem: Why the Implementation of PSAK is Not Optimal

Although the results of the study show an increase in the quality of financial reports, in reality not all companies can implement the latest PSAK optimally. The main cause of this problem is the variation in the readiness of the infrastructure and accounting human resources in each company. Large companies with adequate resources tend to be more prepared, while medium-sized companies face limitations in terms of training, financial information systems, and implementation assistance. For example, in the implementation of PSAK 73 regarding the recognition of right-of-use assets and lease liabilities, a recording system is needed that is able to calculate the present value of lease payments. Companies that still use manual or semi-computerized recording methods have difficulty in calculating this estimate accurately. Likewise, with PSAK 71, which requires a forward-looking credit loss projection model, not all companies have adequate historical data and risk modeling systems. Another factor that causes the problem is the lack of active involvement from regulators in providing assistance and further socialization after PSAK is implemented. Many companies only rely on other companies' annual reports as references without really understanding the substance of the standards that must be followed. This has an impact on the disclosure of information that tends to be minimal, formal, and not substantial.

### Solution: Adaptive Strategy in PSAK Implementation

In response to these challenges, the most fundamental solution is the development of an adaptive strategy for the implementation of PSAK, both by the company and by the regulator. At the company level, there needs to be ongoing training for accounting staff regarding changes in accounting standards and their practical consequences. This strategy has proven effective, as shown by companies in the research sample that conducted intensive implementation training and assistance, and then produced better quality reports. Furthermore, the use of technology is an urgent long-term solution. The implementation of an ERP (Enterprise Resource Planning) system allows companies to automatically calculate rental values, loss reserves, and classify income accurately. The use of information technology not only speeds up the process, but also reduces human error and increases efficiency. From the side of regulators such as OJK and BEI, active supervision and assistance are needed by providing practical

guidelines for the implementation of new PSAK, not only in the form of textual regulations, but also case studies and simulations. Regulators can also encourage professional associations such as IAI (Indonesian Institute of Accountants) to establish partnerships with universities and practitioners to accelerate the transfer of knowledge about new standards to the industrial world.

## Impact: If PSAK is Implemented Consistently

If the implementation of the latest PSAK is carried out consistently by all public companies in Indonesia, the impact will be very large on increasing capital market transparency, increasing investor confidence, and corporate management accountability. More relevant and reliable information will strengthen data-based economic decision-making. The findings of this study support this, where after three years of implementation, financial reports following the latest PSAK showed significant improvements in the aspects of comparability and relevance. In practice, investors can more easily compare performance between companies, identify hidden risks in lease or credit transactions, and understand how income is earned in the company's business cycle. Furthermore, the improved quality of financial reporting will also have an impact on reducing information asymmetry between management and shareholders, which theoretically can reduce the cost of capital and increase company valuation. In a macro context, good financial reporting will encourage market efficiency and financial sector stability.

## Comparison with Previous Research

This study has a novelty value because it not only evaluates the readiness of PSAK implementation but also empirically measures its impact on the quality of financial reports by comparing two time periods (2020 and 2023). In previous studies such as by (A. Wibowo, 2020) the focus was more on technical readiness and transition challenges. Meanwhile, this study provides a new perspective by directly proving that consistent PSAK implementation is positively correlated with an increase in the dimensions of financial report quality. This comparison confirms that regulations are not enough to be made and socialized, but their impact on practices in the field must be evaluated. This study proves that the contribution of PSAK is not just an assumption, but has been proven to improve qualitative indicators of reports, which are one of the measuring tools for corporate accountability in the eyes of the public.

## Critical Reading of Findings: Limitations and Realities

Although the findings show a positive relationship between PSAK implementation and financial reporting quality, it should be noted that reporting quality is not solely determined by accounting standards. There are other factors such as auditor independence, corporate governance (GCG), managerial pressure, and incentives for earnings management that can affect the content of the report. This study does not rule out the possibility that there are companies that still comply with PSAK but manipulate the numbers in a way that is still in accordance with the accounting framework. Therefore, it is necessary to integrate technical regulations (such as PSAK) with an ethical approach, corporate culture, and a strong audit system so that the reporting results truly represent the real conditions of the company.

## Academic Reflection and Practical Implications

Academically, this study enriches the literature related to the impact of regulation on the quality of financial reporting, especially in the context of developing countries. This study confirms that regulatory changes have a positive effect if supported by structural readiness and human resources. This opens up opportunities for further research, for example on the role of information technology in supporting the implementation of IFRS-based accounting. In practice, the results of this study can be a reference for companies that have not optimally implemented PSAK. Through these results, other companies can assess that delays in implementing standards not only pose a risk to compliance, but can also reduce competitiveness in the capital market. For regulators, this study is a reflection that every policy needs to be followed by periodic monitoring of implementation and improvement.

## CONCLUSION

This study aims to examine the impact of the implementation of the latest PSAK on the quality of financial reports of public companies in Indonesia. The main findings show that the implementation of PSAK 71, 72, and 73 has a positive impact on improving the dimensions of financial report quality, especially in the aspects of relevance and comparability. This study proves that companies that consistently and thoroughly implement the latest accounting standards are able to produce reports that are more informative, transparent, and reliable for stakeholders.

The contribution of this study lies in the comparative approach of two periods that has not been widely used before, while filling the literature gap with empirical evidence from the context of developing countries. This study also shows that reporting quality depends not only on regulations, but also on the readiness of the company's internal systems and human resource competencies. The limitations of this study lie in the scope of the sample which only covers three industrial sectors, so it does not reflect the overall dynamics of the Indonesian capital market. In addition, the measurement of the quality of financial reports is still limited to qualitative indicators and has not touched on aspects of investor perception or market reaction. Further research is recommended to expand the scope of sectors, use additional quantitative approaches such as event study analysis, and examine the effect of PSAK implementation on stock price efficiency, transparency of capital costs, and company value more comprehensively. Thus, the results of future research can strengthen the understanding of the importance of the quality of accounting standards as the foundation of a healthy and integrated financial system.

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