International Journal of
Economics Development Research, Volume 5(1), 2024
pp. 3825-3834

# Analysis of The Application of PSAK 24 Revised 2013-Accounting for Employee Benefits Referring To Law Number 13 At PT. ABC (Project Unit Credit Method)

Nicko Albart[1], Herru[2]

***Abstract:***

*Each entity has the obligation to present financial statements that accord with the Statement of Financial Accounting Standards (PSAK) and the relevant rules. This will affect the external auditors opinions and the accounting division performances. This research was to analyse the effects of the application of the PSAK 24 Revised 2013 on the employee benefits in the PT ABC financial statements. Case study on PT. ABC was conducted using a qualitative analysis with data triangulation methods. This research was carried out by conducting interviews and document analyses. the researcher analysed the effects of the application of the PSAK 24 Revised 2013 on the financial statements (balance sheet and profit and loss) of PT. ABC. The difference appearing from the revision was the recognition of actuarial loss gains which were entirely recognized in the other comprehensive income, changes in the calculation component to measure the past service costs, net costs, and liabilities. The results of this research indicated that PT. ABC has made adjustments due to the implementation of the PSAK 24 Revised 2013. PT ABC has also retrospectively reviewed the financial statements for the period of 1 January 2023 and 31 December 2023.*

***Keywords*** *: Data Triangulation Methods, Employee Benefits, Financial Statement Adjustment, PSAK 24 Revised 2013*

Submitted: 20 September 2024, Accepted: 2 October 2024, Published: 2 November 2024

## 1. Introduction

The application of PSAK 24 (Revised 2013) on employee benefits in Indonesia has become increasingly relevant as companies navigate complex regulations and economic pressures that directly impact their financial reporting. This standard mandates specific requirements for recognizing and measuring employee benefit obligations, including post-employment benefits, which are significant for companies across various sectors, such as manufacturing, finance, and services. Recent studies reveal that Indonesian companies still encounter difficulties in implementing PSAK 24 effectively due to the adjustments required in assumptions, calculations, and disclosures to align with regulations such as Law No. 13 of 2003 concerning labor (Kristyowati & Hamidah, 2021; Santoso & Puspitasari, 2022). For instance, many

[1] *Master of Management Program, Faculty of Economic and Business, Universitas Paramadina, Jakarta, Indonesia. nicko.albart@paramadina.ac.id*
[2] *Master of Management Program, Faculty of Economic and Business, Universitas Paramadina, Jakarta, Indonesia. herru1882@gmail.com*

companies struggle with calculating and reporting employee benefit obligations accurately, resulting in discrepancies that may affect financial transparency (Rumimper & Watung, 2017; Andini & Utomo, 2021).

However, there is a gap in research on how the combination of PSAK 24, Law No. 13 of 2003, and newer legislation, such as the Job Creation Law, impacts employee benefit accounting and corporate financial performance. Most previous studies focus on individual aspects of these regulations without comprehensively analyzing their cumulative effects on employee benefits and financial metrics (Septiari & Kartini, 2023; Wulandari & Dewi, 2019). This gap suggests an incomplete understanding of the practical implications of these standards for companies in different industries, particularly in handling variations in labor costs and post-employment obligations.

This study addresses the need for a comprehensive analysis of how the application of PSAK 24, alongside Indonesian labor laws, impacts the financial reporting and performance of companies, exemplified by PT. ABC. This research seeks to highlight the implications of regulatory compliance on post-employment benefit obligations and accounting practices, offering new insights into the financial effects of current regulations and presenting potential adjustments needed for practical implementation. Given the importance of accurate financial reporting for decision-making, this study aims to provide valuable guidance for corporate managers and policymakers in adapting to evolving labor laws and accounting standards (Nursiaman & Firmansyah, 2020; Putro & Kusuma, 2020).

## 2. Theoretical Background

International Financial Reporting Standards (IFRS), developed by the International Accounting Standards Board (IASB), are intended to enhance consistency and transparency in global financial reporting by promoting high-quality, universally applicable standards. IFRS has a substantial impact on improving financial statement quality, particularly through the transition from rule-based to principle-based standards, which necessitates increased professional judgment and use of fair value accounting. Studies show that IFRS convergence, as applied in Indonesia, aims to improve transparency and accuracy in reporting, reducing opportunities for earnings management and thus supporting economic stability (Kristyowati & Hamidah, 2021; Santoso & Puspitasari, 2022).

In alignment with IFRS, PSAK 24 (Revised 2013) provides guidance on recognizing and measuring employee benefits, which include both short-term and long-term benefits. Short-term benefits cover items such as salaries, social security, and non-monetary benefits like healthcare, while long-term benefits cover compensations due beyond one year, such as pension plans. These standards help ensure that companies account for employee obligations accurately and fairly (Rumimper & Watung, 2017; Andini & Utomo, 2021). PSAK 24 specifically addresses post-employment benefits, which are further categorized into defined contribution and defined benefit plans. Under a defined contribution plan, companies' obligations are limited to predetermined contributions, and employee benefits depend on contributions made by both the employer and employee. Conversely, defined benefit plans are solely the company's responsibility and are influenced by various factors like employee tenure, final salaries, and turnover rates (Septiari & Kartini, 2023; Wulandari & Dewi, 2019).

Further, Indonesian labor laws, including Law No. 13 of 2003 on Manpower, mandate companies to provide specific benefits to employees, such as normal retirement benefits and severance pay. Normal retirement benefits are given to employees reaching the legally specified retirement age and are calculated based on factors like length of service, final salary, and contributions. Law No. 13 also covers death benefits, obligating employers to provide compensation to families of deceased workers, which can be managed by institutions such as BPJamsostek. For deaths from work-related accidents, companies provide work accident insurance, while death insurance covers other fatalities (Nursiaman & Firmansyah, 2020; Putro & Kusuma, 2020). Additionally, disability retirement benefits ensure compensation for workers with prolonged illnesses, including twice the severance pay as mandated under Article 156 of the law, showcasing Indonesia's commitment to worker welfare through legal provisions (Kristyowati & Hamidah, 2021; Santoso & Puspitasari, 2022).

Through these regulations and standards, the Indonesian framework for employee benefits reflects a balance between IFRS principles and national labor laws, which ultimately enhances financial reporting quality and offers companies guidance on managing long-term employee obligations. This comprehensive approach allows companies to navigate the complexities of employee benefits accounting and ensure compliance with both international and national standards.

## 3. Methodology

The methodology of this research employs triangulation to ensure the validity and reliability of qualitative findings by gathering data from multiple perspectives. Triangulation, as explained by Denzin and referenced by Rahardjo (2012), enhances qualitative research by using various methods and viewpoints to analyze phenomena, aiming to accurately represent real conditions supported by ample evidence. This approach consists of three key forms: method triangulation, data source triangulation, and theory triangulation. Method triangulation involves using multiple data collection techniques, such as interviews, document analysis, and observations, to explore the research topic comprehensively and uncover different facets of the phenomenon. Data source triangulation includes gathering information from varied sources, such as organizational documents and individuals from different hierarchical levels, to gain a comprehensive and multi-dimensional view of the issue. Theory triangulation further enhances the research's depth by applying different theoretical perspectives, enabling a richer interpretation of data through varied analytical lenses.

In calculating employee benefits, the study incorporates several actuarial assumptions to estimate obligations accurately. The discount rate, used to determine the present value of future benefits, is based on the Indonesia Government Securities Yield Curve from IBPA, chosen according to the projected service period of employees. Additionally, a salary increase rate of 8.00% per annum is applied, accounting for industry trends and anticipated inflation. The mortality rate is based on the 2019 Indonesian Mortality Table (TMI-IV), consistent with assumptions from previous periods. These actuarial assumptions align with the standards specified in PSAK-24 (Revised 2013) and support the accuracy and compliance of the financial calculations in this study.

## 4. Empirical Findings/Result and Discussion

**Table 1. Severance Pay**

| Years of Service | Severance Pay |
|---|---|
| <1 | 1 x Last Month Salary |
| ≥ 1 | 2 x Last Month Salary |
| ≥ 2 | 3 x Last Month Salary |
| ≥ 3 | 4 x Last Month Salary |
| ≥ 4 | 5 x Last Month Salary |
| ≥ 5 | 6 x Last Month Salary |
| ≥ 6 | 7 x Last Month Salary |
| ≥ 7 | 8 x Last Month Salary |
| ≥ 8 | 9 x Last Month Salary |

Source: PT ABC, 2024.

**Table 2. Long Service Pay**

| Years of Service | Long Service Pay |
|---|---|
| <3 | 0 x Last Month Salary |
| ≥ 3 | 2 x Last Month Salary |
| ≥ 6 | 3 x Last Month Salary |
| ≥ 9 | 4 x Last Month Salary |
| ≥ 12 | 5 x Last Month Salary |
| ≥ 15 | 6 x Last Month Salary |
| ≥ 18 | 7 x Last Month Salary |
| ≥ 21 | 8 x Last Month Salary |
| ≥ 24 | 10 x Last Month Salary |

Source: PT ABC, 2024.

**Compensation Rights Pay**
15% of the Severance Pay amount plus the Long Service Pay.

**Severance Pay, Long Service Pay, Compensation Rights Pay**
The following is a table of severance pay, long service pay, and compensation rights pay.

**Table 3. Severance Pay, Long Service Pay and Compensation Rights Pay**

| Total Service (Year) | Severance Pay | Long Service Pay | Compensation Rights Pay | Factor |
|---|---|---|---|---|
| (1) | (2) | (3) | (4) = 15% x {2 x (2) + 1 x (3)} | (5) = {2 x (2) + 1 x (3) + (4)} |
| < 1 | 1 | 0 | 0.30 | 2,30 |
| 1 | 2 | 0 | 0.60 | 4,60 |
| 2 | 3 | 0 | 0.90 | 6,90 |
| 3 | 4 | 2 | 1.50 | 11,50 |
| 4 | 5 | 2 | 1.80 | 13,80 |
| 5 | 6 | 2 | 2.10 | 16,10 |
| 6 | 7 | 3 | 2.55 | 19,55 |
| 7 | 8 | 3 | 2.85 | 21,85 |
| 8 | 9 | 3 | 3.15 | 24,15 |
| 9 | 9 | 4 | 3.30 | 25,30 |
| 10 | 9 | 4 | 3.30 | 25,30 |
| 11 | 9 | 4 | 3.30 | 25,30 |
| 12 | 9 | 5 | 3.45 | 26,45 |
| 13 | 9 | 5 | 3.45 | 26,45 |
| 14 | 9 | 5 | 3.45 | 26,45 |
| 15 | 9 | 6 | 3.60 | 27,60 |
| 16 | 9 | 6 | 3.60 | 27,60 |
| 17 | 9 | 6 | 3.60 | 27,60 |
| 18 | 9 | 7 | 3.75 | 28,75 |
| 19 | 9 | 7 | 3.75 | 28,75 |
| 20 | 9 | 7 | 3.75 | 28,75 |
| 21 | 9 | 8 | 3.90 | 29,90 |
| 22 | 9 | 8 | 3.90 | 29,90 |
| 23 | 9 | 8 | 3.90 | 29,90 |
| ≥ 24 | 9 | 10 | 4.20 | 32,20 |

Source: PT ABC, 2024.

**Post-Employment Benefits Measurement**

Post-employment benefits at PT ABC are measured through a calculation journal that calculates the current service cost and the Present Value of Defined Benefit Obligations for 208 Employees.

Active employee data at the company accessed for this study, namely from December 31, 2022, to December 31, 2023, includes the following:

- Employee ID No./Name

- Employee Date of Birth
- Date of Entry into Work
- Salary/Wages

The following is the calculation of the Post-Employment Benefits Measurement.

**Table 4. Employee Data**

| DESCRIPTION | IFRIC DEC 31, 2023 | IFRIC DEC 31, 2022 |
|---|---|---|
| Number of Employees | 208 | 212 |
| Total Monthly Salary (IDR) | 3,496,437,057 | 3,314,856,001 |
| Average of Monthly Salary (IDR) | 16,809,794 | 15,636,113 |
| Average Age (Years Old) | 41.51 | 41.22 |
| Average Past Service (Years) | 9.55 | 9.36 |
| Average Future Remaining Service (Years) | 13.49 | 13.78 |

Source: Researcher, 2024.

Further calculations are carried out using the Project Unit Credit formula, which is explained as follows:

1. Present Value Benefit of Obligation/PVBO
   Formula: PVBO = PVFB x Past Years of Service / Total of Years of Service
2. Current Service Cost / CSC
   Formula : CSC = PVFB / Total of Years of Service
3. Present Value of Future Benefits/PVFB is formulated as follows:
   - PVFB Pension = probability factor of mortality x discounted factor x (2 x severance pay + 1 x long service pay) +15% compensation rights pay x salary projection at valuation.
   - PVFB Mortality = probability factor of mortality x discounted factor x (2 x severance pay + 1 x long service pay) +15% compensation rights pay x salary projection at valuation.
   - PVFB Disable = probability factor of mortality x discounted factor x (2 x severance pay + 2 x long service pay) +15% compensation rights pay x salary projection at valuation.
   - PVFB Resignation = probability factor of mortality x discounted factor x (15% (1 x severance pay + 1 x long service pay) x salary projection at valuation.

**Table 5. Liabilities (Assets) recognized in the Balance Sheet**

| DESCRIPTION | IFRIC DEC 31, 2023 | IFRIC DEC 31, 2022 |
|---|---|---|
| **Liabilities (Assets) at the Beginning of the Period** | **35,933,292,847** | **43,001,935,270** |
| Expenses (Income) in the period | 8,090,834,715 | 6,456,924,309 |
| Company Contributions | - | - |
| Benefit Payment | (6,536,937,509) | (11,107,377,920) |
| Other Comprehensive Income | (235,719,778) | (2,418,188,812) |

| DESCRIPTION | IFRIC DEC 31, 2023 | IFRIC DEC 31, 2022 |
|---|---|---|
| **Liabilities (Assets) at the End of the Period Before Assets Limitation** | **37,251,470,275** | **35,933,292,847** |
| Effect of Assets Limitation | - | - |
| **Liabilities (Assets) at the End of the Period After Assets Limitation** | **37,251,470,275** | **35,933,292,847** |
| **Liabilities (Assets) at the End of the Period (Key Management)** | - | - |
| **Liabilities (Assets) at the End of the Period (Employee)** | **37,251,470,275** | **35,933,292,847** |

Source: Research, 2024

**Recording of Post-Employment Benefits (Law No. 13)**

Recognition in the income statement occurs when employees render services, and recognition in the statement of financial position occurs for employee benefit obligations that the company must settle:

a) For short-term employee benefits, employee benefit costs are recorded as operating expenses.
b) The obligations incurred are recorded as liabilities and presented separately for post-employment benefit plans.

Journal entries are made after the post-employment benefit calculation is carried out; The journal entry for the provision for post-employment benefits recognized in the income statement for January – December 2023 is:

| | |
|---|---|
| (Db) Post-Employment Benefits Expense | Rp 5,443,853,868,- |
| (Cr) Employee Benefits Liability Provision | Rp 5,443,853,868,- |

The journal entry for post-employment benefit expenses recognized in the income statement is:

| | |
|---|---|
| (Db) Post-Employment Benefits Expense | Rp 380,746,563,- |
| (Db) Post-Employment Benefit Expense Interest | Rp 2,266,234,284,- |
| (Cr) Other Comprehensive Income (OCI) | Rp 235,719,778,- |
| (Cr) Employee Benefits Liability Provision | Rp 4,150,285,901,- |

The journal entry to record deferred tax is:

| | |
|---|---|
| (Db) Remeasurement of deferred tax (OCI) | Rp 51,858,351,- |
| (Cr) Deferred Tax Assets | Rp 51,858,35.- |

## 5. Discussion

The Job Creation Law differs in calculating normal pensions where the multiplication is only 1.75x Pension Pay, and the maximum pension calculation is 25x, resulting in a significant difference in the computation of Post-Employment Benefits. Based on the Job Creation Law, it has been carried out on 208 PT ABC Employees; the calculation is as follows:

**Table 6. Calculation of Changes in Present Value of Liabilities (Law 13 vs Job Creation Law/JCL)**

| **Summary of Changes in Present Value of Liabilities** | **IFRIC-Law 13** | **IFRIC-JCL** |
|---|---|---|
| (Gain)/Loss Actuarial - Liabilities | **Rupiah** | **Rupiah** |
| **Description** | **31 DEC 2023** | **31 DEC 2023** |
| **Present Value of Beginning of Period Liabilities** | 35,933,292,847 | 35,933,292,847 |
| Current Service Fees | 4,261,471,021 | 3,877,938,630 |
| Interest Fee | 2,266,234,284 | 2,062,273,198 |
| Past Service Fee - 1 | - | - |
| Past Service Fee - 2 | - | - |
| Actual Employee Benefits Payment | (6,536,937,509) | (6,536,937,509) |
| Curtailment and Settlement | 1,563,129,410 | 1,422,447,763 |
| **Expected Present Value of End of Period Liabilities** | **37,487,190,053** | **36,759,014,929** |
| (Gain)/Loss Actuarial from: | | |
| - Adjustment to Experience | 59,510,468 | (1,405,918,682) |
| - Adjustment in Demographic Assumptions | - | - |
| - Adjustment in Financial Assumptions | (295,230,246) | (1,454,258,296) |
| **Present Value of End of Period Liabilities (Actual)** | **37,251,470,275** | **33,898,837,950** |

From the calculation results of Post-Employment benefits using the Job Creation Law, where the Present Value of the end-of-period 2023 obligation using the calculation of Law No. 13 of 2003 is 37,251,470,275, and the Present Value of the end-of-period 2023 obligation using the calculation of the Job Creation Law is 33,898,837,950. PT ABC experienced a decrease in the Present Value of the end-of-period 2023 obligation of 3,352,632,325.

The recording journal for the Post-Employment Benefits Provision recognized in the income statement for the January – December 2023 period is:

| | |
|---|---|
| (Db) Post-Employment Benefits Expense | Rp 5,443,853,868,- |
| (Cr) Employee Benefits Liability Provision | Rp 5,443,853,868,- |

The journal entry for post-employment benefit expenses recognized in the income statement is:

| | |
|---|---|
| (Db) Post-Employment Benefit Expense Interest | Rp 2,062,273,198,- |
| (Db) Employee Benefits Liability Provision | Rp 797,653,576,- |
| (Cr) Other Comprehensive Income (OCI) | Rp 2,860,176,979,- |
| (Cr) Post-Employment Benefits Expense | Rp 143,467,475,- |

The journal entry to record deferred tax is:

| | |
|---|---|
| (Db) Remeasurement of deferred tax (OCI) | Rp 51,858,351,- |
| (Cr) Deferred Tax Assets | Rp 51,858,35.- |

## 6. Conclusions

The calculation results for PT ABC's employee benefits in applying post-employment benefit accounting, referencing PSAK No. 24 Revised 2013, Law No. 13 of 2003, and the Job Creation Law, show that the impact on PT ABC's financial performance is minimal. In 2022, post-employment benefit expenses were recorded at Rp 6,456,924,309, rising to Rp 8,090,834,715 in 2023, with a slight increase in benefit obligations on the balance sheet from Rp 35,933,292,847 in 2022 to Rp 37,251,470,275 in 2023—an approximate 3.67% increase. Despite this growth, the impact on the company's financial ratios remains negligible. PT ABC adheres to PSAK No. 24 Revised 2013 and Law No. 13 of 2003 in recording these obligations while considering the Job Creation Law, which has been shown to reduce some post-employment expenses, including a decrease in current service costs of Rp 383,532,392 and a reduction in overall provisions by Rp 2,624,457,201. The implications include the necessity for managers to use the Projected Unit Credit method to manage benefit obligations effectively, stay vigilant about new regulations, and leverage PSAK 24 insights for better human resource and retirement planning decisions to uphold financial balance.

**References:**

Kristyowati, D., & Hamidah, H. (2021). The application of PSAK 24 for post-employment benefits in the mining industry. *Journal of Accounting Research and Auditing Practices, 15*(3), 58-74. doi:10.21534/jara.15.3.2021.058

Rumimper, A. C., & Watung, V. N. (2017). Implementation of employee benefit reporting under PSAK 24 in Indonesian manufacturing companies. *International Journal of Economic Research and Financial Accounting*, 2(4), 110-116. Available at: https://www.ijefra.com [15]

Setyadi, D., & Permana, R. (2022). PSAK 24 and employee benefit obligations in financial institutions: A case study approach. *International Journal of Business and Economics*, 18(2), 45-61. doi:10.2478/ijbe.2022.45

Wulandari, S., & Dewi, R. (2019). Employee benefits accounting under PSAK 24: An analysis on Indonesian banking sector. *Asian Journal of Accounting Research*, 5(1), 78-88. doi:10.1108/AJAR.2019.050107

Mubarok, H. (2019). Employee benefits and PSAK 24 compliance: Case study in Indonesian listed companies. *Journal of Business Finance and Accounting*, 12(1), 36-50. doi:10.1002/jbfa.12.1.36

Andini, R., & Utomo, S. (2021). Comparative analysis of employee benefits accounting before and after PSAK 24 revision. *Journal of Financial Reporting and Analysis*, 9(4), 225-239. doi:10.1016/j.jfra.2021.04.002

Septiari, D., & Kartini, R. (2023). Evaluating PSAK 24 in employee benefit disclosures: A framework for compliance in Indonesia. *Journal of Accounting and Economics*, 65(2), 112-128. doi:10.1016/j.jacc.2023.03.001

Santoso, I., & Puspitasari, T. (2022). The impact of PSAK 24 on post-employment benefits reporting in Indonesian companies. *Indonesian Journal of Financial Reporting*, 8(3), 187-199. doi:10.1002/ijfr.8.3.187

Nursiaman, Y., & Firmansyah, T. (2020). Employee benefits disclosure practices under PSAK 24 in the construction sector. *Journal of Corporate Accounting and Finance*, 31(1), 123-135. doi:10.1002/jcaf.22131

Putro, D. N. S., & Kusuma, D. R. (2020). Analysis of financial performance post-merger regarding PSAK 24 compliance. *Focus Management Business Journal*, 9(1), 50-65. Available at: https://fmbjournal.com [16]