THE IMPACTS OF IMPLEMENTATION ACCOUNTING STANDARD PSAK NO. 24 (REVISION 2004) ON POST EMPLOYMENT BENEFIT TOWARDS COMPANY'S PERFORMANCE

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ABSTRACT

Financial analysis is useful for all company to measure their performance and expected to show improvement result in order to determine the company's condition. . Financial ratios are tools to help anticipate the future conditions and to predict some actions or strategies that will useful in improving the company's future performance, which is from evaluating the previous financial statement. Using financial ratios this research tries to impose one indicator, post employment benefit and how it would impact company financial performance. PT. ABC Will be the object case which implementation the post employment benefit based on particular regulation PSAK No. 24 (revision 2004). The researcher would like to focuses on the profitability ratios by Return on Asset ratio (ROA), liquidity ratio by Current Ratio (CR) and the leverage ratio by Debt-Equity ratio.

Keywords: *performance, employment benefit, financial analysis*

ABSTRAK

Analisis financial sangat penting bagi semua perusahaan dalam membantu mengukur kinerja perusahaan dan berharap hasil analisis tetap menunjukkan hasil kondisi yang meningkat. Financial ratios, diharapkan juga dapat mempprediksikan dan mengantisipasi kemungkinan situasi yang tidak diinginkan dengan mempersiapkan trategy. Dengan menggunakan financial ratio sebagai alat, penelitian ini mencoba memasukan satu indicator yaitu employment benefit dan bagaimang indikator ini mempengaruhi kinerja keuangan perusahaan. penelitan ini menggunakan PT. ABC sebagai object dimana perusahaan ini menerapkan post employment benefit berdasarkan PSAK nomor 24 (revisi 2004). Peneliti hanya memfokuskan pada profitability ratio khususnya ROA, liquidity ratio khususnya Current rario, dan leverage ratio khususnya debt-Equity ratio.

Kata kunci: *kinerja, imbalan kerja, analisis keuangan*

INTRODUCTION

Indonesia is developing country where the nation is categorized as low level of material wellbeing though economics growth consider move rapidly shift from agriculture to industry era which change the root of alteration in society such as lifestyle and behavior with hope the changing could give better quality life. Competition in industry demands companies to perform well. Employee is essential asset in company, understand employee need and welfare are how to keep them perform, to do so company needs to allocate budget. The interesting phenomena this study tried to observe is how companies keep these two main roles in business work mutually. In order to improve worker welfare, some initiative have been taken such as implementation of social security program (worker) as well as the implementation of law 13/2003 that stated, the rights and basic protection will be protected, for this purpose government also applied social program called 'Jamsostek ' (Jaminan Sosial Tenaga Kerja). Under Labor Law No. 13 / 2003 every company should provide the minimum of Post Employment Benefits, when there is a discontinuation of working relationship. Post Employment Benefits includes severance pay, service pay and also contribution pay. Meanwhile, based on the PSAK No. 24 (Revision 2004) about 'Employee benefits' which was adopted from IAS No. 19 (Revised 1998), it manages the employee benefit broadly. Based on the designation and the maturity date, Employee benefits divided into two, which are short term employee benefits (IKJP/Imbalan Kerja Jangka Pendek) and post employee benefits (IPK/Imbalan Pasca Kerja).

'Employee benefits' especially post employee benefits it has to be allocated as liability due to the financial statements are prepared on an accrual basis and the number usually is material. Many companies promise to their employees' pensions and other postretirement benefits, these plans can have a significant impact on a company's profitability and financial position (Robinson, Munter, & Grant, 2004). Most of companies were rarely make the allocation of employee benefits it is because it will impact to the profitability and solvability of the company. The implementation of PSAK No. 24 concerning "employee benefits" at the first time it will decrease company's profit in the current year and reduces the amount from dividend that can be distributed by the company.

However the post employment benefits should be recorded throughout the working lives of existing laws and regulations constructive obligation, which requires companies to pay the employee benefits, in order to improve the company performance. All companies must expect the financial statement to be improving time to time. In order to determine the company's condition and the financial performance, ratio analysis is useful in comparing a company's performance to itself over time (time-series analysis) or to other companies (cross-sectional analysis). As long as the business of the company itself has not changed dramatically over time, the financial performance or position in one period can be compared with that in prior periods to determine whether the company appears to be doing better or worse than its own history would indicate (Robinson, Munter, & Grant, 2004).

Financial ratios are tools to help anticipate the future conditions and to predict some actions or strategies that will useful in improving the company's future performance, which is form evaluating the previous financial statement. Financial ratios have been classified into five categories; liquidity ratios, leverage ratios, turnover ratios, profitability ratios, and valuation ratios (Chandra, 2005). As mentioned earlier, the researcher interested to discuss about the implementation of the post employment benefits and the impacts to the company's performance through financial ratios. In this study researcher would like to focuses on the profitability ratios using Return on Asset ratio (ROA), liquidity ratio by Current Ratio (CR) and the leverage ratio by Debt-Equity ratio. A further analysis would be conducted on the implementation of "post employment benefits" based on PSAK No. 24 (revision 2004) and to figure out the impacts from the implantation towards company's performance in PT.ABC and brought as the topic on this project. PT ABC is the object researcher analyzed as a company, which applies the PSAK No. 24. It is located in south Jakarta, the company managed by a professional who has deep experience for exclusive distributor and after sales service excavator and construction equipment in Indonesia. Total employees as of December 31, 2009 and 2008 are 298 and 314 peoples respectively. PT. ABC is a joint venture company from Japan, one of the most leading steel companies in Japan.

The Research problems statements are: (1) to find out how the company which apply the PSAK no. 24 (PT ABC) records, measurements, and presents its liability which arise because of this implementation (Post Employment benefits); (2) to find out how the company (apply for post employment benefit) especially PT ABC would show its allowance for post employment on its financial statement for year ended 2007-2009; (3) to analyze the impacts of implementation post employment benefits according to PSAK No.24 (Revision 2004) which is line with labor law no.13/2003 towards the company's performance in PT ABC.

The significance of the study

For the researcher, it could give researcher chance to understanding and exploring the knowledge about accounting employee benefits and how this theory applied in business practice. For the company, it could be suggestion or recommendation to the company to take some actions regarding this implementation for some consequences. For the readers, it could give readers opportunities to gain a reliability and truthful information all about accounting employee benefits especially in post employment and useful information for the readers regarding how important the allocation of post employment benefits against company and workers.

METHOD

This research applies descriptive method as methodology. According to Sukandarrumidi (2006), descriptive research is a form of research that aims to describe existing phenomena, whether it is natural phenomena or human made. The phenomena could be a form, activities, characteristics, changes, relationships, similarities and differences. The main reason using this method is that the remarks of this research focus on implementation. According to Kountur (2009), the variable of descriptive method is independent variable and it may only one variable. This research will analyze particularly on the variable itself without making any comparison or relationship between variable. This research also called non-experiment research, because in this research does not make the control and the manipulation of the research variables.

The data collection is both primary and secondary. Primary data obtained by visiting the object and gather information through interviews, observation. Meanwhile, secondary data obtained from company's financial reports.

The research design is: (1) test research questions related to current event from the data have been collected; (2) interpreting and describing the implementation of post employment benefits plan from the actuarial report; (3) determining the debt to equity ratio to see the financial position from the balance sheet, return on asset to see the profitability from income statement, and current ratio to measure the liquidity from balance sheet of the implementation.

Interpretation of Result

This research based on assessment independent actuary describe on Figure 1-2 below.

The funded status and recognition the assets / (liabilities) in the balance sheet and recognition the expense / (revenue) in the Income Statement PT. ABC (All amounts are expressed in Rupiah ('000))

Assets and Liabilities	31 December 2007	31 December 2008	31 December 2009
Present value of benefit obligations	3.991.550	4.817.474	6.294.915
Fair Value of Plan Assets	0	0	0
Funded Status	3.991.550	4.817.474	6.294.915
Unrecognized past service cost – Vested	0	0	0
Unrecognized past service cost – Non Vested	(530.216)	(446.519)	(362.822)
Unrecognized Actuarial Gain (Losses)	(615.089)	(57.083)	179.762
Net liability in balance sheet	2.846.245	4.313.872	6.111.855

Source: PT. ABC's *Actuarial Report Based on PSAK No. 24 (Revision 2004)* : Employee Benefit

Figure 1 Funded status and recognition the assets in the balance sheet

Expense Components	31 December 2007	31 December 2008	31 December 2009
Current service cost	786.603	971.970	1.206.223
Interest cost	474.453	399.156	578.897
Expected return on plan assets	0	0	0
Net actuarial (gains) losses recognized in year	(213.124)	26.646	(47.357)
Amortization past service cost assets – non vested	83,697	83,697	83,697
Losses (gains) on curtailments and settlements	0	0	0
Expense recognized in the income statement	1.131.629	1.481.469	1.820.660

Source: PT. ABC's *Actuarial Report Based on PSAK No. 24 (Revision 2004)* : Employee Benefit

Figure 2 The expense/revenue from income statement of PT ABC

Based on above actuary's calculation PT ABC recognized and recorded as an obligation and expenses. Beginning liabilities are recognized to be as big as the value of current liabilities. Summed by funds and services that have not been recognized yet. Next, the obligation will be accumulated as the expense of post employment benefits evaluation increases in the previous years. Whereas, the expense is recognized as big as the value of current service cost plus the interest (10% in 2007, 12% in 2008 and 10,5% in 2009 fom the beggining balance of liability and the current service cost value)) and past service cost, and then deducted by past service cost amortization that has not been recognized as non-vested. Current service cost that arised is the calculation of benefit units for employment benefits in the future based on the future value, and opportunities that arises from the benefit units.

The Disclosures in the Financial Statement

The company provides the employee benefits, based on Labor Law No.13 / 2003. The following expenses and employee benefits liability PT "ABC" which is disclosed in the financial statements for the year ended 2007-2009:

Table 4-6

Post Employment Benefits Expense Components	**2007**	**2008**	**2009**
The Amounts Recognized in the Income Statement			
Current Service Cost	786.603.000	971.970.000	1.206.223.000
Interest Cost	474.453.000	399.156.000	578.097.000
Net actuarial (gains) losses Recognized in year	(213.124.000)	26.646.000	(47.357.000)
Amortization past service cost – Non vested	83.697.000	83.697.000	83.697.000
Expense recognized in the Financial Statement	**1.131.629.000**	**1.481.469.000**	**1.820.660.000**
The Liability	**2007**	**2008**	**2009**
The Amounts Recognized in Balance Sheet			
Present value of Benefit obligations	3.991.550.000	4.817.474.000	6.294.915.000
Unrecognized Actuarial Gain (Losses)	(615.089.000)	(57.083.000)	179,762,000
Unrecognized past Service cost – non vested	(530.216.000)	(446.519.000)	(362.822.000)
Net Liability recognized In Financial Statement	**2.846.245.000**	**4.313.872.000**	**6.111.855.000**

The Net Movements In the Liability	2007	2008	2009
Beginning Balance	1.714.616.000	2.846.245.000	4.327.714.000
Current Expense/Cost	1.131.629.000	1.481.469.000	1.820.660.000
Severance Pay Current Year	-		
Ending Balance	**2.846.245.000**	**4.327.714.000**	**6.148.374.000**

Source: PT. ABC's *Actuarial Report Based on PSAK No. 24 (Revision 2004)* : Employee Benefit

In term of employment benefits report, a company has to allocate the expense and the obligation assessed by Independent Actuary. The amount of both expense and obligation that needed to be allocated at the current year might be figured out by looking at the report. The actuary method used in calculating the Present Value of Defined Benefit Obligation and Current Service Cost is "Projected Unit Credit", as stated in PSAK No. 24 (Revision 2004). PSAK No. 24 (Revision 2004) aims to give the accounting explanation and to find out the amount for employment benefits. In balance sheet, a number of obligation or assets is the accumulation of expense / (income) and actual benefits cost or company's contribution (if it exists) which is paid by the company. In the actuary calculation, the value that needs to be allocated by the company can be seen, in which the beginning obligation is as big as the present value of obligation, plus fund and past service cost (that has not been recognized yet), and also plus the actual gains (losses). Actual gains and losses consist of: experience adjustments and the impact of actuary assumption changes. Whereas the expense is allocated as big as the value of current service cost plus interest cost and past service cost and then minus the unrecognized past service cost – non vested.

Current service cost that appears is the calculation of post employment benefits in the future based on the future value and the chances that will arise from the benefit units itself. Thus based on independent actuary assessment on table 4.6, the allocated expense was Rp. 1.131.629.000 in 2007, Rp. 1.481.469.000 in 2008, and Rp. 1.820.660.000 in 2009, whereas in 2007 the company allocated the net liability of employment benefit Rp. 2.846.245.000 with the actuarial losses Rp. 615.089.000. In 2008 the company allocated the net liability of employment benefit Rp. 4.313.872.000 with the actuarial losses Rp. 57.083.000 and in 2009 amount Rp. 6.111.855.000 with the actuarial gains Rp. 179.762.000.

The impact of post employment

The impact from the implementation PSAK No. 24 (Revision 2004) concerning post employment benefit towards company's performance trough financial ratios, as an instrument in analyzing the financial statement that only focuses on the ratio that measures the ability of companies to produce profits by using total assets (wealth) which belong to the company after the adjustment by costs, which are ,first, the Return On Asset (ROA); second, ratio in determining the amount of company's own capital which is guaranteed for the whole debt which is Debt to Equity Ratio (DER); and the third one is the ratio to measure liquidity, which is Current Ratio (CR). Below are the calculation of the ratios and the table of the ratio analysis of PT ABC for the year 2007-2009:

The Financial Ratio Analysis
PT. "ABC"
For the year ended 2007– 2009

PT "ABC"	2007	2008	2009
Current Assets	417.403.203.493	723.843.823.814	709.346.535.343
Current Liabilities	371.861.397.614	714.466.305.155	675.431.902.794
CR =CA/CL	1.12	1.01	1.05
Earnings After Tax	11.315.314.220	(2.341.584.442)	20.625.213.308
Total Assets	431.771.368.112	774.932.200.008	757.854.088.231
ROA=EAT/TA	0.026	(0.003)	0.027
Total Debt	375.643.418.477	721.145.834.815	683.442.509.730
Equity	56.127.949.635	53.786.365.193	74.411.578.501
DER=Total Debt/Equity	6.7	13.4	9.2

The impact from the implementation of accounting for Post Employment Benefits on PT. ABC towards company's performance, can be seen from the ratio analysis table and the *line chart* above, started with the liquidity ratio which is measure by using *current ratio*, in 2007 the *current ratio* as big as 1.12 this shows that the company's liquidity level in 2007 good enough, because the ideal current ratio is to be more than or equal one, and then in 2008 the *current ratio* is increase become 1.01, it is because of the current liabilities in 2007 decreased. This shows that the company not too bad position, but in 2008 and 2009 the current ratio is shows insignificant changes, the *current ratio* for 2008 as big as 1.01 and 2009 decrease become 1.05. In this condition the company has a good liquidity level; the company was safe, and able to settle the current liabilities in the short term period, because the *current ratio* shows more than one in 2007 until 2009. From the four year, the lowest company's liquidity level *current ratio* in PT.ABC is in 2006 which is as big as 0.80, and the highest company's liquidity level is in 2007 as big as 1.12.

The next impact from the implementation of accounting for post employment benefits towards the company's performance, which is from the profitability ratio that measure by using *return on asset (ROA)*, In 2007 *the return on asset (ROA)* as big as 0.02, this shows that the company unable to generate or produce the profit maximally by using Total Asset that owned by company after being adjusted with the expenses to funding the asset, that because the company has a small earnings if compared with the total asset. And then in 2008 the return on asset shows that the *ROA* ratio it was significantly decrease from 0.02 to minus 0.003. This show that the company has experience losses and which is impact to the net income become negative or become less, the next is *the return on asset (ROA)* in 2008 which is as big as minus 0.003, this *ROA* ratio in 2008 shown that significant decrease from 2007. In 2009 the *return on asset (ROA)* is as big as 0.02, this shows that the *return on asset ratio* is significantly increase from 2008 which is from minus 0.003. From the explanation above the lowest and highest company's performance which measure by using the *return on asset (ROA)*, the lowest is in 2008 because is minus and the highest is in 2009.

The last instrument for measuring the company's performance in this research is the leverage ratio, which is by using *Debt to Equity ratio (DER)*. In 2007 the debt to equity ratio is as big as 6.7, this indicates the company suffer the low loss risk, but the opportunity to take profit is not too big in this year. And then in 2008 it was surprising, in 2008 the *Debt to Equity (DER)* is become increase as big as 13.4, which is from 6.7 to 9.8, the *debt to equity ratio* is increase becomes 13.4, it is almost increase 50% from the previous year, which is from 6.7 becomes 13.4, this shows that the company has to suffer the big loss risk but also the company has opportunity to take increase profit. The *Debt to equity ratio (DER)* in 2009 which is as big as 9.2, in this year the *Debt to Equity ratio* is decrease, which in 2008 as big as 13.4 becomes 9.2 in 2009. After look the *Debt to Equity ratio (DER)* analysis from the previous four years, the best performance which is measured by *debt to equity ratio (DER)* is in 2008, that is 13.4, this indicates that if *the Debt to equity ratio (DER)* is high it will give the gains effect for the company which impact to the improvement changes of the company's profit, and in 2007 the lowest performance which measured by *debt to equity ratio (DER)* as big as 6.7 in 2007.

CONCLUSION

Based on the observations, it shows the complex actuarial computations to determine the company's liability for the future benefits promised to employees, these computations generally require assumptions about employee tenure, turnover, rates, life expectancy, discount rate and future compensation increases, those are the actuarial computations is specially calculates by the *Independent Actuary Service* based on the PSAK No. 24 concerning "employee benefits". Here the value of expenses and liabilities in PT. ABC, which are recorded, disclosed and reported in the financial statements that allocated by the company in 2007 amounted Rp. 1.131.629.000, and Rp. 1.481.469.000 in 2008, and Rp. 1.820.660.000 in 2009, whereas in 2007 the company allocated the net liability of employment benefit Rp. 2.846.245.000 with the actuarial losses Rp. 615.089.000. In 2008 the company allocated the net liability of employment benefit Rp. 4.313.872.000 with the actuarial losses Rp. 57.083.000 and in 2009 amount Rp. 6.111.855.000 with the actuarial gains Rp. 179.762.000.

From the information above it was clear that PT.ABC conducted the *Defined Benefit Plans* for their pension fund investment, based on the PSAK No. 18 paragraph 14, 15 its stated that the company who used *Defined Benefit Plans* must be using Independent Actuary Service to calculates the company's liability for the future benefits promised to employees, and also must have the report of the Actuarial report, the researcher concluded that the measurement, records and the disclosures of accounting for post employment benefits in PT. ABC applied the implementation of post employment benefits based on PSAK No. 24 (Revision 2004) and which line with the Labor Law No. 13 / 2003.

The impact from the implementation of accounting based on PSAK No. 24 (Revision 2004) and which line with the Labor Law No. 13 / 2003for post employment benefit towards company's performance, it can be seen through the change of the financial ratios and also the trends change from year to year in PT.ABC for the year ended 2007 – 2009, which is the first from the Liquidity ratio measured by Current Ratio, the lowest ability of the company's liquidity at PT. ABC is in 2008 as big as 1.01, and the highest ability of the company's liquidity at PT. ABC is in 2007, it was decreased as big as 0.11 from 2007 to 2008. The next company's performance is to measures of how efficiently the capital is employed, from the result of the ROA ratio analysis measured by Return On Asset (ROA), the researcher concluded that from 2007 untill 2009 the ability of the profitability is not have a significantly satisfied profit , which is the highest ROA ratio in 2009 is only 0.027 and the lowest ROA ratio is happened in 2008 whereas the ratio is minus as big as (0.003). The last analysis of the best company's performance in measuring the relative contributions of creditors and owners which is the Leverage Ratio by Debt to Equity Ratio, the best DER ratio happened in 2008 and the lowest DER ratio happened in 2007, which increased 6.7 or 50% from 2007 to 2009**.**

Assuming that if the company or "PT. ABC" is allowed not to apply the implementation of the post employment benefit plans based on PSAK No. 24 (Revision 2004) and which line with Labor Law No. 13 / 2003.

Formula	2007		2008		2009	
	Applied	Not Applied	Applied	Not Applied	Applied	Not Applied
$CR = \dfrac{Current\ Assets}{Current\ Liabilities}$	1.12	1.12	1.01	1.01	1.05	1.05
$ROA = \dfrac{EAT}{Total\ Assets}$	0.026	0.029	(0.003)	(0.001)	0.027	0.03
$DER = \dfrac{Total\ debt}{Equity}$	6.7	6.6	13.4	13.3	9.2	9.1

From the return on asset ratio (ROA) when the company not apply the implementation of post employment benefit plans the ROA is increase from year to year, which is increase 0.003 in 2007, from 0.026 to 0.029. In 2008 the ROA is increase 0.002 from minus 0.003 to minus 0,001. In 2009 the ROA is increase 0.003 from 0.027 to 0.03. For the Debt to Equity ratio in 2007 is decrease as big as 0.1 from 6.7 to 6.6. In 2008 the DER is also decrease 0.1 from 13.4 to 13.3 and in 2009 the DER ratio also decrease 0.1 from 9.2 to 9.1, from those analysis of the trends, it concludes that the implementation of post employment benefit plans towards company's performance by using liquidity, profitability and leverage ratios, from those three ratios that is only the profitability ratio and the leverage ratio are impact to the company's performance**.**

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