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# MAPPING INTERNATIONAL FINANCIAL REPORTING STANDARDS CONVERGENCE ON FINANCIAL STATEMENTS (A COMPARATIVE STUDY BETWEEN UNILEVER AT UNITED KINGDOM AND INDONESIA)

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## ABSTRACT

IFRS convergence came in response to the need for relevant and comparable accounting information. IFRS convergence in the EU has started since 2005. While in Indonesia have been fully adopted IFRS from 2012. By doing convergence, then the previous financial statements presented on a GAAP basis will be amended. This study aimed to answer questions such as: what does the complexity of the load of works to be done by a company that has not been fully adopted IFRS; identify the impact of the convergence of IFRS on accounting policies and information and disclosures in the notes to the financial statements of the companies; and what is the proposed mapping strategy that could assist the companies to do their convergence action.

The research was conducted by the comparative method of qualitative analysis through case studies on two companies, Unilever Group in the UK and PT.Unilever Indonesia Tbk in Indonesia. The data used are secondary data from the companies' annual financial statements in 2011. Analysis of the financial statements of the company made toward the 12 IFRS, 26 IAS and 26 PSAK.

Refer to 12 IFRS, 26 IAS ,and 26 PSAK analyzed the results showed that the load of works of company (PT. Unilever Indonesia Tbk) that will be full convergence with IFRS is quite complex because of the number of standards to be adopted and the nature of the regulatory principle-based so it requires more judgment and disclosures in the notes to the financial statements. Disclosures made in the notes to the financial statements are more detail because of the use of judgment in financial reporting. The impact of IFRS convergence is significantly seen in the concept of measuring the elements of financial statements in which the fair value is more widely used. Disclosure of items in financial statements is more detail due to the using of judgment in financial reporting. Understanding and evaluating toward new adopted standards and developing a robust accounting policies and procedures followed by gradual adoption of standards is one of mapping strategy that could assist the companies in doing their convergence action.

Keywords: IFRS, Convergence, Financial Statements

## INTRODUCTION

The main objective of accounting is to provide high quality and useful information for users of financial statements. Accounting practice has been developed in line with environmental condition. Thus, the accounting practice is different among countries. Companies seeking capital outside of their home markets and investor attempting to diversity their investment internationally faced increasing problems resulting from national differences in accounting measurement, disclosure and auditing (Choi, 2011). The statement above shows the reason why accounting standards convergence is necessary in global business environment.

Refer to the compliance theory as stated by March and Olsen (1998) as an economic entity and parts of society, companies will tend to comply with the regulation exists. As the consequence of being the member of International Federation of Accountant (IFAC) United Kingdom and Indonesia had to obey the Statements of Membership Obligation about IFRS Convergence.

Several researches had been conducted to examine the effects of IFRS convergence on financial statements. Petreski (2006) pointed out that adoption of International Accounting Standards (IAS) have affected the firm either directly or indirectly. Iatridis (2010) also pointed out that IFRS implementation has favorably affected the financial performance of the firms. Swamynathan and Sindhu (2011) examined the effects of IFRS convergence toward financial statements in India. The result concluded that the IFRS is fair valuation approach and are more transparent disclosures and Indian GAAP is conservative approach. Implementation of IFRS has potential impacts and implications toward the firm.

The potential impact and implications are addressed to current level of complexity that exist in financial reporting; transparency of financial reporting; external audit procedures and audit fees; business policies and procedures; organization’s people and resources; organization’s internal management reporting and organization’s methodologies (Wright and Hobbs, 2010). After IFRS convergence companies use IASB Conceptual Framework for Financial Reporting which is different with the US GAAP Conceptual Framework that is more commonly used in the financial reporting before IFRS convergence.

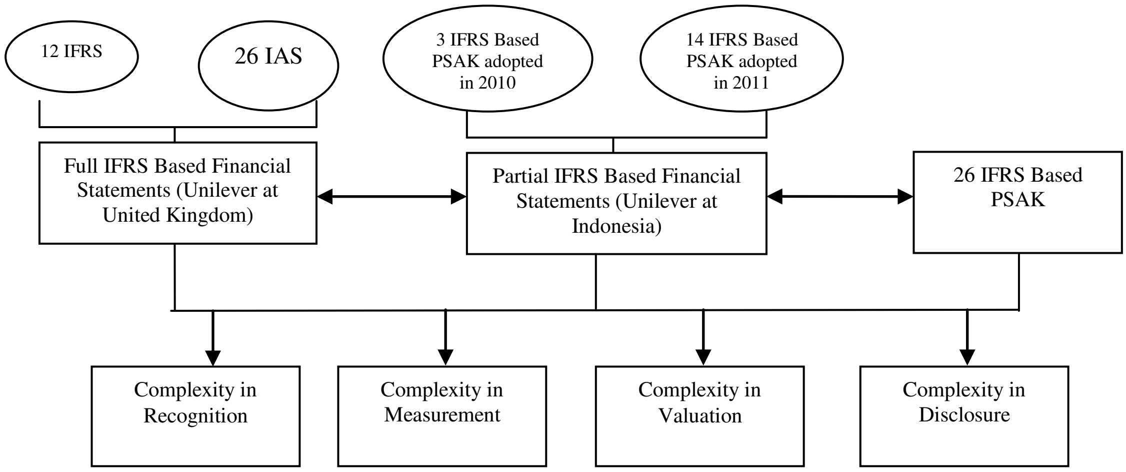
This research is focused on PT Unilever Indonesia Tbk and Unilever Group at United Kingdom. Those companies are classified as the companies that have implemented IFRS in their financial statements, but PT. Unilever Indonesia Tbk has not been fully convergence their financial statements to IFRS. The financial statement of both companies have been standardized and published in Indonesian Stock Exchange and London Stock Exchange. Both PT Unilever Indonesia Tbk and Unilever Group are having same business activities, thus the characteristic of elements in their financial statements will be relatively similar to each other. Thus, financial statements of those companies are selected to be the objects of this research.

## THEORETICAL FRAMEWORK AND RESEARCH QUESTIONS

Since the convergence is started, companies should prepare their financial statement based on converged standards. Both Unilever at United Kingdom and Unilever at Indonesia prepared their financial statements based on IFRS. United Kingdom had converged their financial reporting standards with IFRS since 2005 while Indonesia will be fully converge their financial reporting standards with IFRS starting on 2012. Thus, the presentation of financial statements of companies in United Kingdom and Indonesia will be different.

The financial statements of Unilever at United Kingdom are a full IFRS based financial statements while the financial statements of Unilever at Indonesia is a partial IFRS based financial statements. Those financial statements will be compared and analyzed to determine what should company does when it wants to prepare its financial statements as a full IFRS based financial statements. Analysis of this financial statements is carried out based on 12 IFRS and 26 IAS adopted by Unilever Group at United Kingdom and 26 PSAK that is used as the basis of financial reporting by PT. Unilever Indonesia Tbk at Indonesia.

**Figure 1.1**
**Theoretical framework**




From the background explained above, three following research questions are derived:

1. What does the complexity of the load of works of Unilever at Indonesia's financial statements relating to recognition, measurement, valuation and disclosure as convergence its financial statements due to IFRS-based standards? (Refer to Financial Statements of Unilever at United Kingdom)
2. What is the impact of the IFRS convergence toward Notes to financial statements including Accounting information and policies and disclosure of accounts reported in financial statements of Unilever at England and Indonesia?
3. What is the proposed mapping strategy that could assist the company when doing their convergence treatment?

## RESEARCH METHOD

This research is based on the fact that companies have to convergence their financial reports with IFRS. Refer to suggestion from Denzin and Lincoln (1998) as stated in Secarian (2012) in this research the field of inquiry is put into qualitative approach. The paradigm of this research is interpretative paradigm. The interpretative paradigm leads the researcher to determine an appropriate research method: case study. The last step of this research design is to choose the method of data collection and data analysis.

Due to the limited available data, this research used case study approach. Unilever Group at United Kingdom and Unilever Indonesia Tbk at Indonesia have been selected for this research for these following main reasons: first, Unilever is one of big companies located in some countries in the world. The financial statements of Unilever around the world is similar each other due to the similarities in transactions type and company profile. Those companies have implemented IFRS in their financial statements. The financial statement of both companies have been standardized and published in Indonesian Stock Exchange and London Stock Exchange, thus the financial statements of those companies are considered to be valid.

This research used secondary data in the form of financial statements of Unilever Group at United Kingdom and Financial Statements of PT. Unilever Indonesia Tbk at Indonesia. Data used in this research are collected through documentation and literature study.

This research is a kind of descriptive-qualitative comparative research. According to Collis and Hussey (2008) described descriptive research as research which conducted to describe phenomena as they exist and it is used to identify and obtain information on the characteristics of a particular problem or issue. The processes of data analysis in this research are as follows:

1. Compare full IFRS based financial statements and partial IFRS based financial statements.
2. Determine important points that are affected by IFRS convergence
3. Analyze the implementation of IFRS, IAS and IFRS based PSAK on the recognition, measurement, valuation and disclosure of items reported in financial statements.
4. Answer the research question and drawn a conclusion.

## RESULT AND DISCUSSION

### Description of Research Objects

Unilever Group that listed on London Stock Exchange was formed on 1930. On 2000s Unilever Group started the launch of Path to Growth, a five year strategic plan, sharpened in 2004 Unilever vitality mission focusing on the needs of $21^{st}$ century consumers. In 2009, Unilever announces a new corporate vision-working to create a better future everyday-and enters 2010s with a new strategy: The Compass. To support this strategy, the Unilever Sustainable Living Plan launches in 2010. By the region, Unilever group operates its business in Asia Africa CEE, Americas and Western Europe. Product of Unilever are consists of Home Care, Personal Care and Food and Beverages.

PT. Unilever Indonesia Tbk was formed and started its operation on 5 December 1933 as Lever's Zeepfabrieken N.V. On November 1981, the company listed 15% of its shares on the Stock Exchange in Indonesia following the approval of the Chairman of the Capital Market Supervisory Board ("Bapepam") No. SI-009/PM/E/1981. The company's majority shareholder as at December 31 2011 and 2010 is Unilever Indonesia Holding B.V while its ultimate parent company is Unilever N.V.,Netherlands. The company has two subsidiaries: PT. Anugrah Lever the 100% owned subsidiary and PT. Technopia Lever, the 51% owned subsidiary. PT. Unilever Indonesia Tbk is one of the principal of group companies of Unilever Group that operate in Indonesia. Unilever Group owns 85% shares of PT. Unilever Indonesia Tbk. From the 85% ownership, Unilever N.V is held 65% ownership and Unilever PLC is held 35% ownership.

### Result of Data Analysis and Discussion

Based on the result of analysis the following research questions are answered as follows:

1. What does the complexity of the load of works of Unilever at Indonesia's financial statements disclosures as the impact of IFRS convergence? (Refer to Financial Statements of Unilever at United Kingdom)

   There are 38 relevant IFRS for financial reporting of Unilever Group at United Kingdom. In Indonesia, there are 26 PSAK that is relevant to financial reporting of PT. Unilever Indonesia Tbk should apply all of those 26 PSAK if it wants to be fully convergence its financial statements to IFRS. Those 26 PSAK are referred to IFRS and IAS adopted by Unilever Group at United Kingdom. On 2011, PT. Unilever Indonesia Tbk has adopted 16 IFRS based-PSAK.

   If PT. Unilever Indonesia Tbk wants to be fully convergence with IFRS, it means that it shall adopt 9 more PSAK. Based on the data analysis written on subchapter 4.2.2 Implementation of IFRS on Financial Statements of PT. Unilever Indonesia Tbk it can be conclude that the load of works that should be conducted by PT. Unilever Indonesia Tbk if it wants to be fully convergence its financial statements with IFRS will be complex.

**Table 1.1**
**Accounting Standards have not been Adopted and the Load of Works**

| No | Standard Have not been Adopted | Load of Works should be done if Adopted the Standards |
|---|---|---|
| 1 | PSAK 10 The Effect of Changes in Foreign Currency | • Financial restatements in hyperinflationary economics<br>• Using of judgment if indicator of functional currency is not exists<br>• Recognizing all the foreign exchange different in profit or loss |
| 2 | PSAK 18 Accounting by Retirement Benefit Plan | • More detail disclosure about demographic assumption used<br>• Reconciliation of changes in assets and liabilities. |
| 3 | PSAK 24 | • Determining the amount of transitional liabilities and recognized it in the financial statements. |
| 4 | IAS 41 | • Using of Fair Value in biological asset measurement |
| 5 | PSAK 40 Investment Property | • Entity shall choose cost model or fair value model for subsequent measurement of investment property. |
| 6 | PSAK 46 Income Tax | • Recognizing deferred tax liability for all taxable temporary differences<br>• Disclosing in more detail about the aggregate amount of temporary differences associated with investment in subsidiaries, branches and associates in joint venture for which deferred tax liabilities have not been recognized<br>• Disclosing in more detail the amount of deferred tax assets and the nature of the evidence supporting its recognition. |
| 7 | PSAK 50 Financial Instrument | • Entity is not allowed to use minimum value in determining volatility for unlisted shares. |
| 8 | PSAK 53 Share Based Payment | • Entity is not allowed to use minimum value in determining volatility for unlisted shares.<br>• Standard does not specify particular valuation method of fair value if the active market for equity instruments is not available. So, the company should develop an appropriate valuation method of fair value of the equity instruments. |
| 9 | PSAK 60 Financial Instrument Disclosure | • More detail disclosure about risk management and fair value of instruments that are not carried at fair value |

Complexity of the load of works lies in disclosure of accounts in financial statements and using of judgment in recognition, measurement and valuation of accounts reported on financial statements.

IFRS convergence affected several aspects of financial reporting, but not all the aspects are change due to this convergence. Under IFRS based standard there is recognition criteria of items on financial statements. For items that are included as asset, it will be recognized when probable future economic benefits flow to the entity. In reversal, for items that are included as liabilities, it will be recognized when probable economic sacrifice will flow from the entity. Both of them are recognized in financial statement of Unilever Group and PT. Unilever Indonesia Tbk when their amount can be measured reliably.

IFRS based standards are more likely to use fair value principle on measurement and valuation of items that are reported in financial statements. Therefore, the company which want to convergence its financial statements to IFRS based standard will increase their using of fair value when measuring the items reported on financial statements. For the first time, the fair value of assets is its cost, but on the subsequent measurement the fair value might be change and can be determined based on the current entry value, current exit value or replacement cost.

According to IFRS based standard, full disclosure components of financial statements are consist of Statement of Financial Position, Statement of Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity and Notes to the Consolidated Financial Statements, and Voluntary Disclosure. From the components of full disclosure, there are no significant change, change occurred on the title of financial statements, such as balance sheet that are change to be statement of financial position. Change is also occurred to the title of income statement that is changed to be statement of comprehensive income which can be presented in two kinds of statements: income statement and statement of comprehensive income. Changes also occurred in the form of statements of financial position in which the disclosure of extraordinary item is not permitted. Therefore, it could be concluded that the disclosure of IFRS based financial statements are not significantly different from disclosure of non IFRS based financial statements. The changes of disclosure incurred to the detail of disclosure stated in notes to the financial statements.

2. What is the impact of the IFRS convergence toward Notes to financial statements including accounting information and policies and disclosure of accounts reported in financial statements of Unilever at United Kingdom and Indonesia?

IFRS convergence impacted the notes to financial statements of Unilever Group and PT. Unilever Indonesia Tbk. Both of them have to disclose the accounting information and policies relating to adoption of new standards, particularly about changes in accounting treatment due to those convergence actions. In order to make financial statements to be understandable, the disclosure of accounts reported in financial statements is more details. The rationale of it is because IFRS is lack of rules that increasing the use of judgment.

Refer to the result of analysis the examples of information that are disclosed in the notes to the consolidated financial statements are as follows:

a. As the impact of adoption of IFRS 3 and PSAK 22 Business Combination, for each business combination, companies disclose in the notes to the financial statements the accounting method for acquisition, description and name of business combined, the date of acquisition, the cost of combination, the percentage equity instruments acquired, and amount recognized for each class of assets, liabilities and contingent liabilities of the acquired entity.
b. As the impact of adoption of IFRS 5 and PSAK 58 Non Current Assets held for Sale and Discontinued Operation, the disclosure of accounting policy of non-current assets held for sale and the circumstance of the sale can be found in the notes to the financial statements.
c. As the impact of adoption of IFRS 7 Financial Instruments, the disclosure of accounting policy related to financial instruments such as the measurement base and the treatment of changes in value of derivatives, accounting information relating to derivatives and hedge accounting, the

gross amount of financial assets and financial liabilities are made in the notes to the consolidated financial statements.

d. As the impact of adoption of IFRS 8 and PSAK 5 Operating Segment the detail disclosure of information about operating and reportable segments of the groups can be found in the notes to the consolidated financial statements.
e. As the impact of IAS 2 and PSAK 14 Inventory, disclosure of accounting policy related to valuation of inventory is made in the notes to the consolidated financial statements.
f. As the impact of adoption of IAS 8 Policies, Changes in Accounting Estimate and Errors the title and nature of standards that are adopted by the group for the first time are disclosed in the notes to the consolidated financial statements.
g. As the impact of adoption of IAS 16 and PSAK 16 Property, Plant and Equipment, the groups' notes to the consolidated financial statements contains disclosure of accounting policy related to property, plant and equipment such whether the group use cost or revaluation model for subsequent recognition of assets, the depreciation method used, the useful life of assets and the movement of assets during financial reporting year.
h. As the impact of adoption of IAS 18 and PSAK 23 Revenue, disclosure of accounting policy related with revenue recognition is made in the notes to the consolidated financial statements.
i. As the impact of adoption of IAS 17 and PSAK 30 Leases, the groups' notes to the consolidated financial statement contains disclosure of accounting policy related with leases such as the minimum funding of lease and list of assets held by the group under a lease agreement.
j. Disclosure of the parties related with the group regardless of whether transaction have occurred between parties or not and disclosure of compensation to key management are made in the notes to the consolidated financial statements as the impact of adoption of IAS 24.
k. Disclosure of demographic assumption related to retirement benefit plans can be found in the notes to the consolidated financial statements of Unilever Group due to the adoption of IAS 26 Accounting by Retirement Benefit Plans.
l. Disclosure of accounting policy related to treatment of biological assets held by the group is made in the notes to the consolidated financial statements as the impact of adoption of IAS 41 Agriculture.

3. What is the proposed mapping strategy that could assist the company when doing their convergence treatment?

IFRS convergence led to several changes in financial statements and financial reporting. Wright and Hobbs (2011) stated that IFRS convergence has potential impact and implication toward current level of complexity of financial reporting. Complexity of financial reporting will increase due to the convergence action.

Data analysis of this research shows that IFRS is more principle based rather than rules based standard, due to lack of rules set on the standards. Considering this finding, companies have to prepare their accountants to understand the new standards. Accountants of companies also have to evaluate the impact of new standards adoption toward the financial reporting they will do. To address the consequence of the using of a principle based standard, companies shall develop a robust accounting policies and procedures to ensure that appropriate judgments are used in companies' financial reporting.

The companies used gradual strategy to implement the IFRS based accounting standards. Unilever Group at United Kingdom started it since 2005 while PT. Unilever Indonesia Tbk started to implement the IFRS based accounting standards on 2010. The process of gradual adoption of standards done by PT. Unilever Indonesia Tbk. are shown in the table below:

**Table 1.2**
**Gradual Implementation of IFRS Based Accounting Standards**
**PT. Unilever Indonesia Tbk.**

| Year | Standards Adopted |
|---|---|
| 2010 | 1. PSAK 26 (Revised 2008) Borrowing Cost<br>2. PSAK 50 (Revised 2006) Financial Instruments: Presentation and Disclosure<br>3. PSAK 55 (Revised 2006) Financial Instruments: Recognition and Measurement. |
| 2011 | 1. PSAK 1 (Revised 2009) Presentation of Financial Statements<br>2. PSAK 4 (Revised 2009) Consolidated and Separate Financial Statements<br>3. PSAK 5 (Revised 2009) Operating Segment<br>4. PSAK 7 (Revised 2009) Related Party Disclosures<br>5. PSAK 19 (Revised 2010) Intangible Assets<br>6. PSAK 22 (Revised 2010) Business Combinations<br>7. PSAK 2 (Revised 2009) Statement of Cash Flows<br>8. PSAK 3 (Revised 2010) Interim Financial Reporting<br>9. PSAK 8 (Revised 2010) Events after the Reporting Period<br>10. PSAK 23 (Revised 2010) Revenue<br>11. PSAK 25 (Revised 2009) Accounting Policies, Changes in Accounting Estimates and Errors<br>12. PSAK 48 (Revised 2009) Impairment of Assets<br>13. PSAK 57 (Revised 2009) Provision, Contingent Liabilities and Assets<br>14. PSAK 58 (Revised 2009) Non-Current Assets Held for Sale and Contingent Liabilities. |

Gradual adoption of standards is appropriate because the convergence process of accounting standards in Indonesia are also conducted in the same way. Gradual adoption of standards is lighted the load of works that should be done by the company when they fully convergence their financial statements to IFRS on 2012.

## Conceptual Framework for Financial Reporting and IFRS Convergence

IFRS convergence had impact the financial reporting process of an entity. Several differences appeared on financial statements of Unilever at United Kingdom and Unilever at Indonesia. This finding was affected by the using of conceptual framework of financial reporting. Financial statements are prepared in order to achieve the objectives of financial reporting, that is useful to present and potential equity investors, lenders, and other creditors in making decisions in their capacity as capital provider. To achieve those objectives, both Unilever at United Kingdom and Unilever at Indonesia referred to the conceptual framework when preparing their financial statements.

The financial statements of Unilever at United Kingdom were reported the asset, liability, equity, income and expense occurred during the year 2011, and so did the

Unilever in Indonesia. Those elements were presented in five kinds of financial statements consist of consolidated statement of financial position, consolidated statement of comprehensive income, statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements.

Financial statements presented by the companies should fulfill the qualitative characteristics. According to the conceptual framework for financial reporting, there are two fundamental quality, they are relevance and faithful representation. Relevance of financial statements is depended on predictive and confirmatory value of the financial statements. To be faithfully represented, financial statements should be complete, neutral and free from error. The financial statements of Unilever at United Kingdom and Unilever at Indonesia presented complete financial statements which consist of statements of financial position, comprehensive income, cash flow, changes in equity and notes to the financial statements. In order to be neutral, the financial statements presented information that is necessary for the users in order to be useful in decision making. Financial statements should be free from error. Financial statements were audited before it is published by the groups. From the audit opinion, the users of financial statements can assess whether the financial statements contains the material error or not.

In process of financial reporting, the groups used economic entity, going concern, monetary units, periodicity, and accrual assumptions. Based on economic entity assumption, the groups kept it activities separate and distinct from its owners and any other business unit. The groups also presented its financial statements like if their business will not be liquidated and will be continuously operated. The using of monetary unit assumption implied that only transaction and event that can be measured in amount of money would be reported in financial statements. Periodicity assumptions implied that company can divide its economic activities into artificial time period. The Groups divided its time period of economic activities into quarterly and yearly time period. The groups presented quarterly financial statements and combined it to be yearly financial statements that published on the website of the groups. Accrual assumption is used in the financial reporting of the Groups. The impact of accrual assumption could be seen from the recognition criteria of assets and liabilities. Asset will be recognized when it is probable that future economic benefit will flow to the Group. In reversal, liabilities will be recognized when probable economic sacrifice will outflow from the groups. Both assets and liabilities will be recognized when they can be measured reliably.

According to the conceptual framework there are four basic principle used in financial reporting. The first is measurement principle. IFRS required measurement of accounts using cost principle and fair value principle. Cost principle required the Group to measure assets and liabilities on the basis of acquisition price. Under IFRS regulation the using of fair value is increase. The fair value of assets could be the same with its historical value in initial recognition, but in subsequent recognition it can be different. Therefore, the Groups have to revaluate the assets at least annually.

The second principle is revenue recognition principle. Revenue of the group will be recognized when it is probable that economic benefits will flow to the group and the amount of it can be measured reliably. The third principle is expense recognition principle. The group will account the expense incurred based on the relationship between cost incurred and revenue. If the cost incurred is directly related to the revenue, it will be recognize in period of revenue. But if it has no direct relationship, it will be expensed as it is incurred. The last principle is full disclosure principle. The group made disclosures in the main body of financial statements, in the notes of the financial statements and in supplementary information of financial statements.

The last element of conceptual framework is constraints. There are two constraints according to the conceptual framework of financial reporting. First, the constraint is cost and the second is materiality. It could be seen from the notes to the consolidated financial statements made by the group, on that notes, the groups stated that only material items that are presented in the group's financial statements.

From the discussion above it is found that the conceptual framework for financial reporting underlying to US GAAP and IFRS are similar. They are organized in similar manner and they have similar measurement principles. Their difference is that the financial statements under IFRS regulation are not prepared using conservatism. But, both Unilever at United Kingdom and Unilever at Indonesia still practicing the conservatism, it is shown from the notes to the consolidated financial statements that the groups made allowance for uncollectible debt and reserve of cumulative exchange different.

**Compliance Theory of Regulation and IFRS Convergence**

As stated in literature review in chapter two, in case of IFRS convergence, two basic logics of human action can be used to understand the reason of a company to converge its financial statements to IFRS. Based on "logic of consequences" a company implements IFRS after calculating the consequences. IFRS based financial statements are considered to be more accountable, relevant and comparable. The implementation of IFRS also enables the company to reduce cost of capital, and thus will make the company to operate more efficiently. Whereas based on "logic of appropriateness", as an economic institution a company has an obligation to comply with existing regulations. The implementation of IFRS is seen as an appropriate action for a company.

This research found that both Unilever at United Kingdom and Indonesia complied with IFRS. Unilever at United Kingdom had been fully converged its financial statements to IFRS even though there are some IFRS that have not been adopted by the group. They are:

1. IFRS 9 Financial Instruments
2. IFRS 10 Consolidated Financial Statements
3. IFRS 11 Joint Arrangement
4. IFRS 12 Disclosure of Interest in Other Entities
5. IFRS 13 Fair Value Measurement
6. IAS 19 Employee Benefit (Revised)
7. Amendments to IAS 1 Presentation of Items of Other Comprehensive Income
8. IAS 27Separate Financial Statements (Revised)
9. IAS 28 Investment in Associates and Joint Venture (Revised)

Unilever Group at United Kingdom had not adopted those standards due to these following reasons:

1. The effective date of standard is begin on 2012, 2013 and 2015.
2. The group expected that the changes on the standard will not impact the group's net assets.

In Indonesia, there are 26 relevance PSAK for PT. Unilever Indonesia Tbk. All those 26 PSAK had been converged with IFRS. PT. Unilever Indonesia Tbk, which is have not fully converged its financial statements to IFRS did not adopted these following standards:

1. PSAK 10 (Revised 2010) The Effects of Changes in Foreign Exchange Rates
2. PSAK 18 (Revised 2010) Accounting and Reporting for Retirement Benefit Plans
3. PSAK 24 (Revised 2010) Employee Benefits
4. PSAK 46 (Revised 2010) Income Taxes
5. PSAK 50 (Revised 2010) Financial Instruments: Presentation
6. PSAK 53 (Revised 2010) Share Based Payments
7. PSAK 60 Financial Instruments: Disclosure

8. ISAK 15-PSAK 24 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction
9. PSAK 21 Withdrawal of Accounting for Equity (PPSAK 6)
10. ISAK 1 Determination of Market Price of Dividend (PPSAK 6)
11. ISAK 3 Accounting for Donation or Endowment (PPSAK 6)

The group had not adopted those standards due to the effective date of standards which will begin on January 2012. This is meant that Indonesia companies actually have been ready for the convergence action.

## CONCLUSION

Based on the result analysis and discussion, the conclusion of this research are as follows:

1. Complexity of load of works that should be done by PT. Unilever Indonesia Tbk if it wants to fully converged its financial statements to IFRS lies in the using of judgments and disclosing in more detail the accounts reported in financial statements.
2. Disclosure of accounts reported in financial statements is more details. The rationale of it is because increasing the use of fair value and judgment on financial reporting process.
3. Mapping strategy that could be done by companies is to evaluate the impact of new standards adoption and develop a more robust accounting policies and procedures to ensure that appropriate judgments are used in companies' financial reporting. Gradual implementation strategy is more effective than big bang strategy. Gradual implementation of IFRS based accounting standard enable the companies to evaluate the impact of standards implementation and prepare for the consequence of such implementation toward the financial reporting they did and financial statements they provided.
4. Even though IFRS based standard used different conceptual framework in which conservatism is no longer exist as on concept in financial reporting, the impact of it still can be seen in financial statements of companies.

Regarding to the limitation of research, further research will be better if it is conducted using more research objects and year to be analyzed. Scholar of further research can use financial statements that ended on 2012 because Indonesia has been fully convergence with IFRS on that year thus the IFRS implementation on financial statements can be analyzed deeply. Further research also will be better if it is supported by another data such as observation and interview data so the researcher knows the real condition of the company.

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