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BANKING RESTRUCTURING PROGRAMME FINANCIAL REPORTING ANALYSIS

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ABSTRACT

In this paper, we perform the analysis needed to determine the form of financial reporting of the Banking Restructuring Programme (BRP) organized by the Indonesia Deposit Insurance Corporation (IDIC). The analysis comprises the users of financial reporting, an assessment of the uniqueness of financial transactions, reporting entities, and the accounting standards used to prepare financial reporting. This research was conducted using a single case study method. To maintain the construct validity and reliability of the implementation of this case study research, multiple sources of evidence were used in the data collection process, establishing a chain of evidence, and the case study protocol. The explanation-building technique was used as the data analysis technique. The results of this study indicate that the BRP has pervasive financial report users, is free from unique transactions that have not been regulated in the Indonesian Financial Accounting Standards, and is a separate reporting entity from IDIC that can use the going concern assumption. Thus, BRP can present general-purpose financial reporting using generally accepted accounting standards.

Keywords: Banking Restructuring Programme, Financial Reporting, Reporting Entity

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1. INTRODUCTION

After the banking crisis in 1998-2004 that hit Indonesia, the government established the Indonesia Deposit Insurance Corporation (IDIC) as the institution that organized the Deposit Insurance Programme to support the banking system. IDIC carries out the functions and deposit insurance of failing banks. This role was subsequently developed with the enactment of Law Number 9 of 2016 concerning the Prevention and Resolution of Financial System Crisis, whereby IDIC is mandated to organise a Banking Restructuring Programme (BRP) in the event of a financial system crisis and issues within the banking sector that pose a risk to the Indonesian economy.

The addition of the role of BRP organiser to IDIC's existing duties will certainly have institutional consequences that it must follow up. First, the laws and regulations specifically regulate the BRP's source of funding, which is separate from that of the Deposit Insurance Programme. Second, IDIC is granted additional powers to undertake the tasks of the BRP, including extrajudicial powers.

To that end, IDIC has taken various steps to prepare the organisation, including preparation to implement regulations and policies related to the BRP business process. However, there are problems related to the presentation of the financial reporting of the BRP that IDIC is currently unable to resolve. As regulated in law, IDIC is obliged to record BRP's assets and liabilities separate from those of the Deposit Insurance Programme. This separation of records followed the separation of accountability for the implementation of tasks and resources between the Deposit Insurance Programme and the BRP. This reflects best practice in other countries that maintain a separation between the deposit insurance fund used to pay deposit claims from failed non-systemically important banks, and the crisis fund/resolution fund used to deal with failed systemically important banks and banking crises (Arda & Dobler, 2022; Croitoru et al., 2018; Moretti et al., 2020).

In practice, to identify the financial reporting presentation of the BRP by considering the specificity of its assigned tasks, it is possible to refer to benchmarks for preparing financial reporting in other entities. There are at least two entities with special tasks mandated by laws and regulations, namely the Indonesia Bank Restructuring Agency (IBRA) and Bank Indonesia. IBRA is a temporary special agency that was established to reinforce the banking sector in times of crisis. Meanwhile, Bank Indonesia is the central bank that performs monetary functions and manages and maintains the payment system so that it runs smoothly.

IBRA's financial reporting practices refer to the Decree of the Minister of Finance Number 86/KMK.01/2000 concerning the General Policy on Financial Accounting of the National Bank Restructuring Agency, in which the regulation stipulates that IBRA uses special accounting standards applicable to a government agency. The use of special accounting standards is based on the following considerations: the user of IBRA's financial information is the Minister of Finance (Government); the uniqueness of the transactions involved in bank restructuring, the settlement of bank assets and shareholder liabilities, and the refund of government funds; and entities that are not going concerns.

Bank Indonesia's financial reporting practices, meanwhile, refer to special accounting policies that underlie the conventional and unique accounting treatment stipulated in the Bank Indonesia Financial Accounting Policy (KAKBI). The use of this special accounting policy is based on the existence of special transactions in carrying out its functions and duties as a central bank (Bank Indonesia, 2012).

In addition to the application of the financial reporting concept to the specific entities mentioned above, various studies have concluded that when an entity prepares its financial statements, consideration should be given as to whether the statements will meet the information needs of the users (Gassen & Schwedler, 2010; Lev, 2018; Schmidt, 2018; Zeff, 2013). To meet these information needs, the entity must also develop the qualitative aspects of the financial statements as part of their preparation. Several studies have demonstrated that financial reports have many users and thus, to meet their information needs, financial statements must satisfy various aspects, including comparability (Chen & Gong, 2019) and relevant and faithful representation (Khan et al., 2018; Lev, 2018; Nobes & Stadler, 2015).

Referring to the benchmarks and research results above, IDIC must decide on the following elements: 1) the reporting base that it will use to prepare financial reporting for the BRP, taking into account the information needs of the users of the BRP financial report, in terms of both the resource providers and principals of the programme; 2) the accounting standards that it will use to record transactions in the context of implementing the BRP, taking into account the uniqueness of these transactions, especially those that result from the exercise of extrajudicial powers; 3) whether to present the BRP financial statements as part of the IDIC financial reporting or as a reporting entity separate from the IDIC; this is determined by taking into account the differences in accountability between IDIC's duties to carry out tasks by the Law concerning the Deposit Insurance Corporation and its implementation and the

task of administering the BRP, as well as the temporary duration of the BRP implementation.

Based on the explanation above, an adequate analysis must be conducted to determine the presentation of BRP's financial reporting. It should identify the users of financial statements and their information needs, the uniqueness of the transactions, the reporting entities, and the type of financial reporting presentation to be used. This is based on the condition that the basis for presenting financial reporting from the BRP will affect the accuracy of the financial statements used as a source of information to assess the efficiency and effectiveness of IDIC in implementing the programme.

This research is limited in its scope as it relates only to problems related to preparing the design of the financial reporting to be used by the BRP, which will be run by IDIC. The research was also prepared based on an analysis of the data and information related to laws and regulations, provisions, authorities and tasks assigned to IDIC.

2. LITERATURE REVIEW

2.1. PREVENTION AND RESOLUTION OF FINANCIAL SYSTEM CRISIS FRAMEWORK

The coordination mechanism that exists between institutions to maintain financial system stability has become increasingly important since the global financial crisis in 2008. To that end, Law Number 9 of 2016 on Prevention and Resolution of Financial System Crisis, regulates the roles of the Financial System Stability Committee (FSSC). These include (i) coordination of the monitoring and maintenance of financial system stability, (ii) the resolution of financial system crises, and (iii) the resolution of problems with systemically important banks, during both normal and financial system crisis conditions. The FSSC comprises the Minister of Finance, the Governor of Bank Indonesia, the Chairman of the Board of Commissioners of the Financial Services Authority (FSA) and the Chairman of the Board of Commissioners of the IDIC.

Under this law, in mitigating the problems encountered by a bank, priority shall be given to the use of the bank's resources and a business approach that does not require state budget expenditures. If the measures taken are insufficient to resolve the problem, Bank Indonesia will provide support to address the liquidity problem and IDIC will assist in dealing with the solvency problem. If problems in the banking sector threaten the economy during a financial system crisis, the president can activate the BRP implemented by IDIC under the recommendations of the FSSC. As part of this programme, IDIC steps in to

resolve banking problems for both systemically important and non-systemically important banks.

2.2. FINANCIAL REPORTING

Financial reporting is one way by which management provides accountability for their stewardship of the management of the entity's resources. In stewardship theory, management is not motivated by individual goals but rather to become stewards with goals aligned with those of their principals (Davis et al., 1997). To undertake this assessment, the principal needs information on how efficiently and effectively the entity's management has performed its responsibilities in using the entity's resources.

The principal objective of financial reporting is to provide financial reporting information related to economic entities, primarily financial in nature, that is useful for economic decision-making (International Accounting Standards Board, 2018). Various studies have explored the users of financial statements, which are outlined as follows. Cascino et al., (2014) identified that the users of the financial statements of European listed companies consisted of external professional equity investors, external private equity investors, internal equity investors, public and private lenders, and commercial creditors. They also found that these users differed significantly in terms of the information they required. García Osma and Grande-Herrera (2021) investigated users' engagement in financial reporting and detailed the user behaviour regarding financial statements that influences the financial reporting issued by the company. Shivakumar (2013), meanwhile, demonstrated the role of financial statements in contracts aimed at reducing the issue of representation between shareholders and management, and between shareholders and creditors as users of financial statements. According to the user primacy principle, the interests of the users of financial reports take precedence over those of the preparers of the reports (Gaa, 1986).

Referring to the 2019 Conceptual Framework for Financial Reporting paragraph 3.10, a reporting entity is an entity that is required, or chooses, to prepare financial statements, either as a single entity or as part of an entity; it may also consist of more than one entity. In addition, the reporting entity is not always a legal entity. It becomes difficult to determine the boundaries of the reporting entity if it is not a legal entity and comprises more than legal entities related to parent subsidiary relationships. The boundaries of the reporting entity are determined based on the information needs of the main users of its financial

statements, where the users need relevant information that accurately represents that which it intends to represent (Ikatan Akuntan Indonesia, 2019).

Furthermore, following the convergence of accounting standards in Indonesia with the International Financial Reporting Standards (IFRS), IFRS is now the reference for the preparation of accounting standards in Indonesia. Provided a transaction has been explicitly regulated in IFRS or the principles have been regulated in IFRS, no special accounting standards will apply to that transaction. With the above conditions, where the accounting standards are used specifically for a certain industry/transaction that in principle has been regulated in another standard, it is revoked when the standards are converged with IFRS. As such, when preparing accounting standards that are specifically used for BRP, a strong reason is required based on the accounting principles that apply in Indonesia.

3. RESEARCH METHODS

This research used a case study approach involving the data triangulation technique. Multiple sources of data and information were therefore employed in conducting the research, including literature studies to collect information derived from applicable laws and regulations, articles and papers, working papers, and accounting standards; semi-structured interviews with the Director of Finance, Director of Legal and experts on banking restructuring to openly obtain information on issues, the legal framework, duties, authorities, and accountability of IDIC in the BRP, and also the sources of BRP funding; focus group discussions with the Indonesian Institute of Accountants to confirm the assessment of transactions, use of accounting standards, reporting entities and the going concern assumption; participant observation; and documents.

The data analysis technique used in this study refers to the case study research analysis technique suggested by Yin (2009), namely the explanation-building technique. The following steps were undertaken in conducting the analysis:

1. Identification of the required decision – the decision expected from this research is the presentation of the financial reporting of the BRP.
2. Review or identification of options – IDIC has the option to present the financial statements of the BRP, either in the IDIC financial statements, by the BRP as a separate reporting entity from IDIC, or in the financial statements of other entities, e.g. in the financial statements of the government.

3. Criteria selection – the preparation of the criteria to be used as the basis for conducting the analysis refers to the 2019 Conceptual Framework for Financial Reporting and Indonesian Financial Accounting Standards shown in Table 1.

Table 1. Analysis Criteria

Scope	Criteria	References
Users of financial information	<ol style="list-style-type: none"> a) The primary users of financial information are those who have an interest in making decisions about providing resources to the entity. b) Those decisions relate to: <ul style="list-style-type: none"> ▪ buying, selling, or holding equity and debt instruments; ▪ providing or settling loans; or ▪ exercising rights to vote on, or otherwise influence, management's actions that affect the use of the entity's resources. 	Conceptual Framework for Financial Reporting (2019), Paragraph 1.2 – 1.10
Characteristics of transactions	The principles in transactions carried out by the entity are in accordance with the principles set out in the relevant accounting standards.	Relevant accounting standard for each transaction
Reporting entity	<ol style="list-style-type: none"> a) A reporting entity is an entity that is required, or elects, to prepare financial statements, either as a single entity, or as part of an entity, or may consist of more than one entity. b) A reporting entity is not necessarily a legal entity. c) Assumption of going concern 	<ul style="list-style-type: none"> ▪ Conceptual Framework for Financial Reporting (2019), paragraph 3.10 – 3.14 ▪ Conceptual Framework for Financial Reporting (2019), Paragraph 3.9

Source: Ikatan Akuntan Indonesia (2019)

4. Criteria-based analysis – the analysis was carried out by comparing data and information, as well as the facts obtained during the research, with the selected criteria.
5. Recommended decision – the recommended decision is the choice that best supports one criterion with another.

4. ORGANISATION PROFILE

In 2004, the government passed Law Number 24 of 2004 concerning the Deposit Insurance Corporation. This mandated the government to establish a Deposit Insurance Corporation as the implementer of the Deposit Insurance Programme. Based on Article 4, the IDIC has two main functions, namely to insure deposits and actively participate in maintaining the stability of the banking system. IDIC, the Minister of Finance, Bank Indonesia, and the FSA are responsible for creating and maintaining financial system stability through their respective roles and duties. In carrying out its function to guarantee

deposits, IDIC is tasked with formulating and establishing policies for implementing deposit insurance and then implementing it for banking customers.

Furthermore, in carrying out its function to actively participate in maintaining the stability of the banking system, one of IDIC's tasks is the resolution of failing banks, both systemically and non-systemically important banks. In 2016, under the Law on Prevention and Resolution of Financial System Crisis, IDIC was accorded the additional task to organise a BRP for use in the event of a financial system crisis and if problems in the banking sector pose a risk to the national economy.

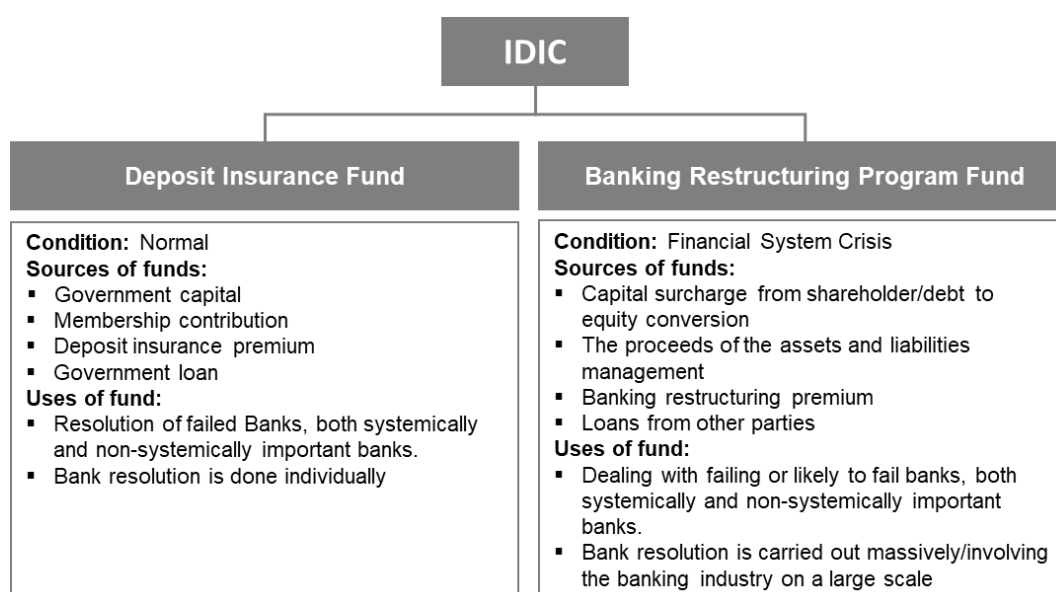


Figure 1. Deposit Insurance Fund and Banking Restructuring Programme Fund

Source: Indonesia Deposit Insurance Corporation (2022)

As the organiser of the BRP, IDIC is responsible for managing and administering the assets and liabilities obtained or derived from its implementation. Furthermore, as part of IDIC's accountability to carry out functions and duties separate from those involved in managing the Deposit Insurance Programme, it is legally obliged to record the assets and liabilities of the two programmes separately.

5. RESULT AND DISCUSSION

5.1. FINANCIAL STATEMENT USERS

In carrying out its duties mandated under Law in the context of implementing the BRP, IDIC has various stakeholders. Each stakeholder has different interests, thereby creating a diversity of information needs. Consistent with Cascino et al., (2014) and García Osma & Grande-Herrera (2021), all stakeholders will naturally depend on the reliability and suitability of the financial information that IDIC provides when formulating their attitude towards their interests in it, particularly in the context of implementing the BRP.

In analysing who the users of the financial statements of the BRP are, it is possible to refer to the origin of the resources obtained by IDIC for the implementation of the BRP. This refers to the objective of financial reporting is to provide useful financial information about the reporting entity to resource providers (Ikatan Akuntan Indonesia, 2019). Based on the provisions of the law, to implement the BRP, IDIC obtained funding from bank shareholders or other parties in the form of additional capital and/or the conversion of certain debts into capital, proceeds from the assets and liabilities handled by banks, premiums from the banking industry, and/or loans from other parties. Based on these provisions, conceptually, the banking industry financed the programme's implementation. This is reinforced by the provision that the deficit in assets and liabilities at the end of the BRP will be borne by the banking industry through premium collection (*ex-post premium*), with any resulting surplus to become additional BRP funds. In addition, the statutory provisions stipulate that the premium amount to be charged to the banking industry will be regulated in a government regulation. In this context, the government requires financial information at the time of programme termination to determine the amount of premium that will be withdrawn to the banking industry in the event of a deficit.

The FSSC is another user of the BRP's financial statements. As a task, the state allocated the resolution of the banking crisis to the FSSC. For this reason, IDIC is required to report the implementation of the BRP to the President through the FSSC. Thus, the President and FSSC will use financial information from the BRP implementation in assessing IDIC's accountability.

In addition to the users above, creditors are another major user of the BRP's financial statements. In making loan withdrawals to fund the implementation of the BRP, IDIC made loans bilaterally, as well as issued debt securities. Reflecting on the experience of the resolution of the banking crisis in 1998, the government issued recapitalisation bonds that were then used to recapitalise banks under IBRA's management (Alamsyah, 2003). The bonds used to

recapitalise a bank can then be traded on the secondary market to increase the bank's liquidity after the passage of a certain period determined by Bank Indonesia.

In the context of the financial reporting of the BRP, which is part of the IDIC reporting and accountability as regulated in the Law on Deposit Insurance Corporation, IDIC is also required to submit the financial reporting of the BRP audited by the Supreme Audit Agency of the Republic of Indonesia to the House of Representatives. IDIC is additionally required to publish its audited financial statements in at least two daily newspapers with wide circulations no later than April 30 of the following year.

Referring to the description above, the users of the BRP financial statements are the public consisting of the government, FSSC, the House of Representatives, the Supreme Audit Agency, lending investors, the banking industry, and the public in general. While the users of the BRP financial statements have varying financial information needs, in general, the information they require is used to assess the accountability of the implementation of the BRP by IDIC as mandated in laws and regulations.

5.2. BANK RESTRUCTURING PROGRAMME TRANSACTIONS

To determine the financial accounting standards that IDIC can use to prepare financial reporting for the BRP, an analysis of the uniqueness of transactions conducted by IDIC in the implementation of the BRP was required. Transaction analysis was conducted to identify any unique transactions that were not regulated by the financial accounting standards or any transactions that while are not unique were still treated differently compared to transactions in other entities.

The identification of transactions in this study was carried out by referring to the laws, regulations and business processes for implementing the BRP. It was discovered that BRP carried out the following types of transactions:

- a) Premium collection from the banking industry – this includes the collection and receipt of premiums from banks that give rise to accounting transactions and events, including:
 - the initial recognition of premium receivables,
 - the establishment of an allowance for uncollectible premiums, and
 - revenue recognition from premiums.

PSAK 71 Financial Instruments accommodates cases where BRP recognises receivables for the first time, forms a provision if premium receivables cannot be withdrawn, and PSAK 72 Revenue From Contracts

With Customers accommodates cases where BRP recognises premiums as revenue.

- b) Investment from premium funds – based on the draft Government Regulation concerning the Premium for Funding for the BRP, IDIC is only allowed to place funds originating from premiums in securities issued by the government and/or Bank Indonesia. PSAK 71 Financial Instruments can accommodate the recording of investments in securities to obtain principal and interest, as well as for trading purposes.
- c) Loans from others – IDIC loans for funding the BRP are made through loan withdrawals, either in the form of bilateral loans or the issuance of debt securities. IDIC records loan drawdowns as liabilities measured at amortised cost. Transactions and accounting events related to loan withdrawals by IDIC are regulated in PSAK 71 Financial Instruments.

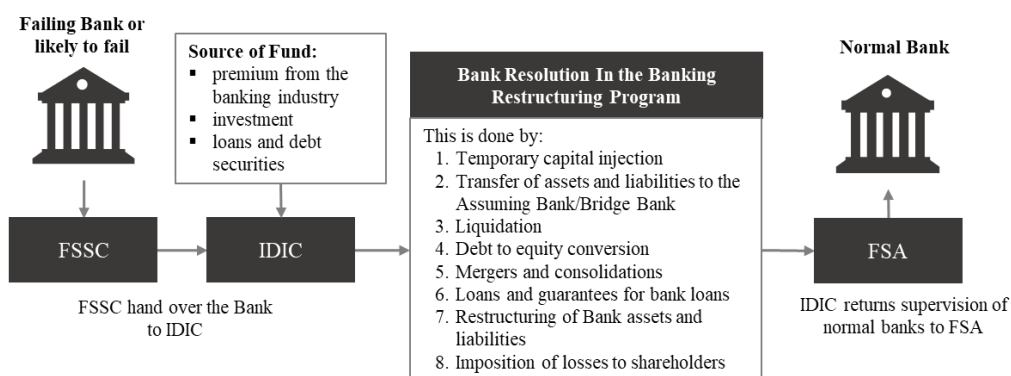


Figure 2. Bank Resolution in Banking Restructuring Programme

Source: Indonesia Deposit Insurance Corporation (2022)

- d) Bank under the resolution of the BRP – transactions carried out by IDIC in resolution banks:
 - i. Temporary capital injection – a temporary capital injection is recognised when BRP gains control of the bank at fair value less the cost to sell from the bank’s net assets. The presentation of the report of a bank in receipt of temporary equity participation is condensed into the financial statements of the BRP as a disposal group (asset disposal) which is measured at fair value less the costs to sell at each reporting date as stipulated in PSAK 58 Non-Current Assets Held for Sale and Discontinued Operation.
 - ii. Mergers and consolidations – merger and consolidation transactions can be made to banks under the control of the BRP using a temporary capital injection. For mergers and consolidations of banks under the

control of the BRP, PSAK 38 Business Combinations of Entities Under Common Control regulates the steps that IDIC can take to present the merger and consolidation transaction.

- iii. Bank liquidation –the liquidation of failing banks is carried out by the Liquidation Team formed by IDIC, where the Liquidation Team is tasked with disbursing assets and/or collecting receivables from debtors followed by the payment of bank obligations to creditors from the results of the disbursement and/or collection. BRP and the bank in liquidation are two separate entities, where the financial relationship between BRP and the bank in liquidation is that of a creditor. By Article 54, the rescue costs incurred by BRP and/or payment for deposit claims that must be paid by BRP are in the order of disbursement after the replacement of bailouts for payment of salaries, reimbursement of severance pay, and court costs, auction fees payable, and office operating costs. The principle of presenting BRP claims to banks in liquidation is accommodated in PSAK 50 Financial Instruments: Presentation and PSAK 71 Financial Instruments.
- iv. Transfer of the bank’s assets and/or liabilities to the assuming bank or bridge bank – in this transaction, BRP will pay the top-up difference for the transfer of assets and liabilities of the failed bank to the assuming bank or bridge bank. Especially for bridge banks, BRP also records the investment in BRP shares in bridge banks, where this transaction is accommodated in PSAK 65 Consolidated Financial Statements to present its participation. Furthermore, by the provisions of the law, BRP is required to immediately sell the shares of the bridge bank after receiving the transfer of assets and liabilities. Thus, to record the investment in shares, BRP can consolidate the investment of the bridge bank in the disposal group which is measured at fair value less the costs to sell at each reporting date by PSAK 58 Non-Current Assets Held for Sale and Discontinued Operations.
- v. Loans to banks – to support the liquidity needs of banks that are included in the resolution of the BRP, BRP may provide loans to banks. For the provision of loans to the banks, BRP is recorded as a loan receivable from the bank. In providing loans to banks, BRP may conduct a preliminary evaluation as to whether lending to banks in the resolution of the BRP is included in the classification of purchased or originated credit impaired financial assets. Furthermore, BRP can evaluate whether the loan will be granted by considering the potential cash flows in the form of the principal and interest to classify the loan.

All conditions of the transaction have been regulated and can be accommodated by PSAK 71 Financial Instruments.

- vi. Provide guarantees for bank loans – to support banks in the resolution of BRP to obtain loans from other parties, BRP can provide guarantees to banks. To record and present guarantees, BRP can use references to PSAK 71, which accommodates the need for the presentation of financial guarantee contracts.
- vii. Management of non-performing assets originating from banks and asset management originating from charging losses from shareholders – referring to the benchmark for the resolution of bank problems during the 1998 crisis that was handled by IBRA, the assets managed by IBRA originating from banks and charging losses from shareholders constitute assets in the form of securities, either in the form of debt securities or company shares, and property assets such as land and buildings. Assets in the form of securities are accommodated in PSAK 71 Financial Instruments; PSAK 15 Investments in Associated Entities if the securities are in the form of company shares in which BRP has significant influence and is not a subsidiary; PSAK 4 Separate Financial Statements and PSAK 65 Consolidated Financial Statements to present securities in the form of equity participation in which BRP has control; and PSAK 58 Non-Current Assets Held for Sale and Discontinued Operations if the securities are investments in shares but are classified as held for sale. Furthermore, for property assets, the presentation can be adjusted according to BRP's intentions for these assets. BRP presents property assets based on PSAK 16 Fixed Assets if it intends to use the assets for operational activities and they will be used for more than one period; PSAK 13 Investment Properties is used if the property assets are intended to generate rent or are held for an increase in value to obtain capital gains or both; PSAK 58 Non-Current Assets Controlled for Sale and Discontinued Operations is used if the property assets are intended to be sold.

Based on the explanation above, the transactions carried out by IDIC in the context of implementing the BRP are not unique and have been regulated by general accounting standards.

5.3. REPORTING ENTITY

It is necessary to determine whether or not the BRP is a reporting entity to ensure that the implementation of BRP accountability is properly carried out. To determine this, analysis is carried out by considering the applicable regulatory framework related to the BRP. Article 39 paragraph (1) of the Law concerning Prevention and Resolution of Financial System Crisis, stipulates that the funds for the implementation of the BRP shall come from bank shareholders or other parties in the form of additional capital, proceeds from the management of assets and liabilities, premiums, and loans from other parties. This is different from the Deposit Insurance Programme, whereby the Law on Deposit Insurance Corporation states that IDIC obtains funding from the government's capital deposit, membership contributions, deposit insurance premiums, and loans from the government. Based on these provisions, the BRP has separate financial resources and claims from IDIC, where there is no financial relationship between the two.

Furthermore, the laws and regulations regulate when the BRP will be implemented. By Article 32 paragraph (7) of Law Number 9 of 2016, the President may decide to change the status of financial system stability from a normal condition to a financial system crisis condition based on a recommendation from the FSSC. Furthermore, Article 38 paragraph (1) states that the President decides on the implementation of the BRP in the event of a financial system crisis and problems in the banking sector that threaten the national economy. The programme is organised by IDIC.

In implementing the BRP, as a form of accountability, laws and regulations also require IDIC to separate the recording of assets and liabilities between the implementation of IDIC duties based on the Law on Deposit Insurance Corporations and the Law on Prevention and Resolution of Financial System Crisis regulated in laws and regulations. A separate IDIC for each of these mandates. According to the explanation above, at the operational stage of the BRP, IDIC has a role as the organiser. IDIC accountability as the organiser of the BRP begins when the President decides to activate the programme and ends when he decides to terminate it. Furthermore, the recording of assets and liabilities originating from the implementation of the BRP must be carried out separately from the IDIC financial reporting. Based on these considerations, while the BRP is not a legal entity it is a separate reporting entity from IDIC.

Although the BRP is a time-limited programme, the going concern assumption can still be used. This considers that the BRP will become part of the banking system, in which its financial statements will be interrelated with

those of the bank in whose resolution it is involved. Another consideration of using the going concern assumption is that where the BRP only has accountability as a reporting entity during its activation period, IDIC is still required to record the assets and liabilities remaining from the implementation of the BRP as referred to in Article 46 paragraph (1) and (2), which is carried out separately in the IDIC financial statements. In this condition, the BRP must use the assumption of business continuity.

Based on this explanation, the BRP may use the going concern assumption in presenting its financial statements. If the reporting accountability of the BRP ends, the closing balance sheet of the BRP is not prepared using a liquidation basis but instead continues to use business continuity, because the remaining assets and liabilities from the implementation of the BRP are still recorded and managed by IDIC. Any excess will become a source of funding for the next BRP, while any shortage will become a bill to the banking industry.

5.4. FINANCIAL REPORTING PRACTICES IN OTHER COUNTRIES

To complete the analysis of the reference for preparing financial reporting for the BRP by IDIC, a comparison is undertaken with the practices of preparing financial reports for entities administering a restructuring programme in other countries. Aspects of legal entities and sources of funding for each entity implementing the BRP are important variables to be used as references in determining the reference for preparing financial statements. Table 2 compares the financial reporting practices in the United States and Japan.

Table 2. Comparison of Financial Reporting Practices

	United States	Japan
Institution	Federal Deposit Insurance Corporation (FDIC)	Deposit Insurance Corporation of Japan (DICJ)
Legal entity	Public institution	Public institution

Table 2. Comparison of Financial Reporting Practices (continued)

	United States	Japan
Reporting entity	2 separate reporting entities: <ul style="list-style-type: none"> ▪ Deposit Insurance Fund ▪ FSLIC Resolution Fund 	9 separate reporting entities: <ul style="list-style-type: none"> ▪ General Account ▪ Crisis Management ▪ Financial Revitalization ▪ Early Strengthening ▪ Financial Functions Strengthening ▪ Damage Recovery Distribution

		<ul style="list-style-type: none"> ▪ Regional Economy Revitalization Corporation ▪ Revitalization Earthquake Affected Business ▪ Dormant Deposits, etc. Management
Sources of funding	<ul style="list-style-type: none"> ▪ Deposit Insurance Fund: Premium ▪ FSLIC Resolution Fund: Government capital 	<ul style="list-style-type: none"> ▪ Government capital: General Account, Regional Economy Revitalization Corporation, Revitalization Earthquake Affected Business ▪ Premium: General Account (ex-ante), Crisis Management (ex-post) ▪ Borrowings
Presentation of financial reporting	Neither financial statement is consolidated	No financial statements are consolidated
Reference for preparation of financial statements	U.S. generally accepted accounting principles (US-GAAP)	Japanese generally accepted accounting principles (J-GAAP)

Source: DICJ (2021), FDIC (2021)

The two institutions above play a role in dealing with banking problems. Both FDIC and DICJ have several reporting entities with separate funding sources and objectives, meaning they are not mutually consolidated. Both institutions also use generally accepted financial accounting standards in their respective countries. Considering the conditions in Indonesia, the presentation of the reports carried out at the FDIC and DICJ can also be applied in the preparation of the IDIC and BRP financial reports, which are carried out separately by considering the differences in the sources of funds and accountability of the two programmes. General accounting standards can also be used in the preparation of BRP financial reporting.

6. CONCLUSION AND DISCUSSION

Based on the description in the previous section, it can be concluded that IDIC has significant accountability in the financial reporting of the BRP so that users of the BRP's financial statements are pervasive. For this reason, IDIC is required to present the financial statements of the BRP to their various users. The consequence of this requirement is that IDIC must present the BRP's financial statements with the general purpose financial statements. The transactions carried out by IDIC in the context of implementing the BRP are not unique and are regulated by the general accounting standards. Furthermore, BRP is a separate reporting entity from the IDIC financial statements as the

President decides on both the implementation and termination of the BRP. The BRP is a separate reporting entity because IDIC has separate accountability for the implementation of its duties and authorities versus its role as the organiser of the BRP and Deposit Insurance Programme. The going concern assumption can be used despite the temporary nature of the BRP as IDIC is required to continue recording the BRP's assets and liabilities after the programme ends.

By considering the explanation above, the presentation of the financial reporting of the BRP refers to the general accounting standards with reference to ISAK 35 Presentation of Financial Reporting of Non-profit Oriented Entities. This is in line with the practice of an entity that manages several reporting entities whose funding sources are separate and do not consist of capital. Here, the presentation of assets and liabilities is based on liquidity because the programme is temporary; at the end of the programme, it is expected that the assets and liabilities will be settled in the shortest possible time.

This research was conducted specifically in relation to the presentation of BRP financial reporting. The results of the study are also highly dependent on the context of the applicable regulatory framework; thus, adjustments will be necessary in the event of a change in the context.

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