



SIMPOSIUM ILMIAH AKUNTANSI 5

PRESENTATION OF CHURCH FINANCIAL STATEMENTS AS A NON-PROFIT ORGANIZATION AFTER THE ISSUANCE OF ISAK 35

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ABSTRACT

This study aims to observe whether the presence of the Interpretation of Financial Accounting Standards 35 which replaced the Statement of Financial Accounting Standards 45 which is part of the Financial Accounting Standards (SAK) applicable in Indonesia has a significant influence and is applied to the recording of financial reporting of Non-Profit Organizations, especially religion organization such as churches. The method used in this study is a descriptive analysis of 12 previous studies that have relevance to the topic of this research. The results of this study indicate that the Interpretation of Financial Accounting Standards (ISAK) 35 and Statements of Accounting Standards (PSAK) 45 have not been widely implemented in the financial statements of churches in Indonesia because generally churches have their own financial reporting rules set by internal churches and parent church organization

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INTRODUCTION

In an entity, both business and non-business entities, financial statements are made as a form of accountability for the resources owned. The financial statements are used as a form of representation from the entity manager about resource management activities during a number of periods determined by the entity. In making financial statements, accounting is a science that provides a reference for how to make good financial statements starting from identification, recognition, measurement, to the presentation of financial statements in a structured and credible manner. Walter (2012) defines accounting as an information system that measures activities, processes data into a financial report whose results are submitted to interested parties as a reference in making decisions that evaluate business activities.

ISAK or Interpretation of Financial Accounting Standards is one of the four components of Financial Accounting Standards (FAS) which includes the Conceptual Framework for Financial Reporting (KKPK), Statements of Financial Accounting Standards (PSAK), Interpretations of Financial Accounting Standards (ISAK), and Revocation of Statements of Financial Accounting Standards (PPSAK). Financial Accounting Standards are a number of regulations containing guidelines in the preparation of financial statements prepared and determined by the Financial Accounting Standards Board of the Indonesian Institute of Accountants (DSAK IAI). IAI is the only professional organization of accountants in Indonesia that accommodates and represents the accounting profession in Indonesia as a whole¹. IAI is part of the International Federation of Accountants (IFAC), which is a worldwide professional organization of accountants and is also part and founder of the ASEAN Federation of Accountants (AFA).

¹ http://iaiglobal.or.id/v03/tentang_iai/tentang-iai,

Interpretation of Financial Accounting Standards (SAK) is a non-IFRS product compiled and issued by DSAK IAI. At the time of this research, ISAK 35 is one of twenty other ISAKs contained in the Financial Accounting Standards (SAK). ISAK 35 regulates the presentation of financial statements of non-profit oriented entities (IAI, 2019). ISAK 35 issued by DSAK IAI is an interpretation of PSAK 1: Presentation of Financial Statements paragraph 05 which provides examples of how nonprofit-oriented entities make adjustments to either: (i) adjustments to the descriptions used for specific items in the financial statements; and (ii) adjustments to the descriptions used for the financial statements themselves. ISAK 35 is accompanied by illustrative examples and basis for conclusions that are not part of ISAK 35 (IAI, 2019).

Non-profit entities are part of public sector entities. Public Sector Entities are entities that aim to fulfill the rights and interests of the public, in this case the public who have an interest in the entity. Meanwhile, a Non-Profit Entity is an entity that does not aim to make a profit to foster the wealth of the owners of capital, but provides benefits from resources provided by donors who do not expect the return of economic results or benefits from the resources provided (ISAK, 2019).

Although the giver of resources does not expect a return on the resources provided, the entity needs to make an account of the amount of resources provided, as a transparent clarity of resource utilization and can increase the trust of donors who have given their resources to non-profit entities to manage these resources. For internal parties, the accountability is made as a form of information on financial management during one period, and as a reference in the entity's economic decision making.

The church is one form of entity that falls into the category of non-profit entities. Donors provide resources in the form of both assets and money to be managed for the benefit of the congregation. The clarity of financial information is an important achievement in increasing the trust of donors and congregations for each donation submitted to the Church. The presentation of financial statements and transparency in good financial reports in the Church is very important in measuring the level of satisfaction and trust of donors and congregations for the donations given.

Accounting Standard Interpretation 35 serves as a guideline for the Church as a non-profit entity to prepare financial statements that serve as a form of accountability for the management of the entity in utilizing the economic resources that have been provided by donors, both in the form of grants and donations, to be transparent and accountable. Transparent is when the financial statements state the actual conditions and accountable is when the financial statements can be accounted for (Mardiasmo, 2009).

Prior to the existence of Financial Accounting Standards Interpretation (ISAK) 35, the guidelines for preparing financial statements for non-profit entities were regulated in the Statement of Financial Accounting Standards (PSAK) 45 which has been in effect since 1997, and was revised in 2011. (PSAK, 2011). Then through the ratification of the Revocation of the Statement of Financial Accounting Standards (PPSAK 13)² in April 2019 by the Board of the Indonesian Institute of Accountants (DSAK IAI), PSAK 45 was revoked and at the same time the issuance of ISAK 35 was authorized as a replacement for PSAK 45. ISAK 35 and PSAK 45 are generally not much different. The main differences are in the use of the word 'Nonprofit Organization' for entities that are not profit-oriented to become 'Nonprofit Organizations', the replacement of *transaction based to entity based*, simplifying account classification, changing the title of the report for the Statement of Activities to the Comprehensive Income Statement, and adjusting the items in the financial statements (IAI, 2019).

From the observations that the author found in several previous studies, there are still many churches in Indonesia that have not implemented Financial Accounting Standards since the enactment of Statement of Accounting Standards 45, as in research (Pratiwi & Kristianti, 2021), (Leiwakabessy, 2015), (Wijaya et al, 2018), and (Pontoh, 2013). Churches make financial reports every period but are still not in accordance with the guidelines in the Statement of Accounting Standards 45 and have their own guidelines in their financial reporting.

² <http://iaiglobal.or.id/v03/standar-akuntansi-keuangan/pencabutan-sak-15-ppsak-13>

For the background that the author has described, therefore the author wants to conduct a literature study on whether the ratification of Accounting Standard Interpretation 35 increases the implementation of Financial Accounting Standards by Churches in Indonesia with a study entitled "Application of Accounting Standard Interpretation 35 to Church Religious Non-Profit Organizations in Indonesia".

METHODS

This research uses a form of literature review. Literature review is a form of activity that collects a series of data from various scientific works needed related to research objectives (Danial and Warsinah, (2009: 80). The method used in this research is descriptive analysis method with data reduction techniques. According to (Arikunto, 2013: 203), the research method is the method used by researchers in collecting the required research data. Meanwhile, descriptive analysis is a method that uses descriptions and depictions of data collected to produce a conclusion in the form of a descriptive narrative (Sugiyono, 2018: 147). Data reduction is a form of analysis by focusing the information needed from all the data presented to get conclusions (Sugiyono, 2018: 247-249).

The author chose the descriptive analysis method to collect data from previous studies to see the trend of previous research results and then reduce the data provided to conclude the research results of this literature study. The analysis was carried out through searches using search engines from Google Scholar, Mendeley, Microsoft Academic, Pubmed, and Research Gate.

to a set of research results related to the application of ISAK 35 to churches. For reference in this literature study are previous research articles and Financial Accounting Standards Interpretation 35 and Statement of Financial Accounting Standards 45.

In the search engine used, the author used the keywords 'ISAK 35' and 'church' from the effective date of 2020 on the Google Scholar search engine. To sort the relevant research, the author screened the overview of each research to get 12 samples of the most relevant research that was used as literature study material.

However, after the author conducted a screening, the author did not find any relevant published research related to the application of ISAK 35 in the church. Given the implementation of ISAK 35 since its effective date in January 2020 until the time this literature study was conducted, it has not been even 2 years, so the research is still very minimal. Most of the research found still uses PSAK 45 as the benchmark for its assessment. For this reason, the author tries to add research references related to PSAK 45 in its application in churches and the like. The results of each study are mapped in the discussion table.

RESULTS AND DISCUSSION

The following is a summary of 12 samples of previous research results that are relevant to this literature study.

No.	Author Name and Year	Factor	Discussion Results
1.	(Zega, 2020)	ISAK 35, Financial Statements of St. Petrus Kwala Bekala Medan	The financial statements prepared by Stasi St. Petrus Kwala Bekala Medan are not in accordance with ISAK 35, and the station only prepares a cash receipts and disbursements report.
2.	(Yuventa, 2021)	ISAK 35, Financial Statements of St. Maria Assumpta Kupang	The financial statements prepared by St. Maria Assumpta Kupang are not in accordance with ISAK 35, and the station only prepares a cash receipts and disbursements report.
3.	(Sihombing, 2017)	PSAK 45, Financial Statements of the Adventist Church of DKI and surrounding areas	The financial statements prepared by the Adventist Church in DKI and its surroundings are not in accordance with PSAK 45. Financial reports for treasurers are only seen as financial records, and have not been utilized as

			a benchmark in the performance achievements of church managers.
4.	(Rahmah & Munte, 2017)	PSAK 45, HKBP Maranatha Financial Statements	The financial statements made by HKBP Maranatha Rawalumbu are not in accordance with PSAK 45. The manager only makes a report on cash receipts and cash disbursements titled the cash balance report.
5.	(Adi, P. H. et al., 2020)	PSAK 45, Financial Statements of GJKI Ekklesia	The financial statements prepared by Gereja Jemaat Kristus Indonesia Ekklesia Salatiga are not in accordance with PSAK 45. GJKI Ekklesia only prepares a cash flow statement as a financial record regulated in the church's basic procedures and regulations in church management activities.
6.	(Kumambow et al., 2015)	PSAK 45, Financial Statements of GMIM Bukit Zaitun Walian Dua	The financial statements prepared by GMIM Bukit Zaitun Walian Dua Church are not yet in accordance with PSAK 45. The guidelines for church financial reporting are regulated in a number of church governance rules that are still simple and do not refer to PSAK 45.
7.	(Magdalena, 2016)	PSAK 45 Efficiency, Financial Statement Effectiveness of GBKP Cililitan and GKPS Cikoko	PSAK 45 increases the efficiency of financial statements. However, the financial statements prepared by the GBKP Cililitan Church and GKPS Cikoko are still not in accordance with PSAK 45. It is necessary to have a pilot church that applies PSAK 45 in its financial statements or training for church treasurers in applying PSAK 45 to church financial reports.
8.	(Sriwardhani, 2021)	PSAK 45, Internal Control of Churches in Surabaya, Sidoarjo and Gresik areas	The educational background of most church financial managers has reached bachelor's degree but most of them do not come from the accounting field so they do not fully understand the concept of PSAK 45. Of the 32 churches that were the object of research, 23 churches did not know the existence of PSAK 45, 9 churches understood it but had not adopted it, and only 5 churches had a financial report format in accordance with PSAK 45.
9	(Sambara & Belolan, 2020)	PSAK 45, Financial Statements of Eben Haezer Toraja Church Palopo	The financial statements made by Eben Haezer Palopo Toraja Church are not in accordance with PSAK 45. The financial statements are still simple and only adjust to the needs and annual work program set by the church.
10.	(Winedaringsih, 2014)	PSAK 45, Financial Statements of	The Financial Statements made by the Jawi Wetan Christian Church Gresik Congregation are not in accordance

		Jawi Wetan Jemaat Gresik Christian Church	with PSAK 45. The church only records reports on cash receipts and expenditures in accordance with the budget in the Annual Work Program. The format of the financial statements is made following the guidelines in the Governance of the GKJW Jemaat Gresik. Financial reports are published monthly, quarterly, and annually through the church newsletter and annual report.
11.	(Santoso, 2018)	PSAK 45, Financial Statements of Jawi Wetan Christian Church Waru	The financial statements made by the Jawi Wetan Christian Church Waru are not in accordance with PSAK 45. The financial statements are still financial records made manually in a financial notebook and follow the guidelines provided by the GKJW Waru Supreme Assembly. Financial reports are published to the congregation every week and quarter.
12.	(Paalloan et al., 2020)	PSAK 45, Draft Financial Statements of Toraja Church Jemaat Sudiang Klasis Makassar Timur	The financial statements prepared by the Toraja Jemaat Sudiang Church, East Makassar Klasis are not in accordance with PSAK 45. The financial statements only present church cash receipts and disbursements. The existing financial statements are considered easier to understand by users of the church's financial statements.

The author only finds 2 previous studies that contain the application of ISAK 35 as a replacement for PSAK 45 in the financial statements of churches. The author assumes that ISAK 35 is still relatively new since its ratification in 2019 and its effective date is January 2020 so the research is still very minimal. The author is also limited in accessing the two studies because access is limited by the *repository* where the research is stored. On this basis, the author tries to dig further into older research when PSAK 45 was still effectively implemented. However, the authors found several studies published from 2019 to 2021, namely (Zega, 2020), (Adi et al, 2020), (Sambara & Belolan, 2020), (Paalloan et al, 2020), and (Sriwardhani, 2021) which still discuss the application of PSAK 45 to churches while the applicable accounting standard has become ISAK 35. The author concludes that some researchers are also unaware of this change in accounting standards.

Among the twelve previous studies that became the object of this literature study. All results show that the church that is the object of research has not implemented the applicable Financial Accounting Standards. However, in research conducted by (Sriwardhani, 2021) among 32 churches in the Surabaya, Sidoarjo and Gresik areas which are the objects of research, there are 9 churches that have implemented PSAK 45 in their financial statements. This indicates that there are churches that have begun to understand the importance of Financial Accounting Standards as a benchmark for transparent and accountable financial reports.

The author sees the tendency of previous studies that provide improvements and adjustments to the format of financial statements in accordance with applicable Financial Accounting Standards. Regardless of whether or not the suggestions given by the researcher are accepted, there is an effort by the researcher in improving the financial reports in churches in Indonesia. This will be more acceptable if researchers succeed in educating church authorities such as the Assembly / Synod regarding financial reporting standards in churches that are relevant to the present.

CONCLUSIONS

After collecting and summarizing the research results from 12 research samples that were used as the object of this literature study, the authors found that almost all studies revealed that on average the churches that were the object of research had not implemented the applicable financial accounting standards. There are several churches that already understand the existence of PSAK 45 but have not applied it to the church's financial statements because the existing financial statement format is considered easier to understand by congregants, church managers, and other users of financial statements. The format of the financial statements made by the church mostly follows the guidelines set by the Church Assembly and similar church authorities.

Previous studies in the end of their research made modifications to financial reports from existing church financial reports as suggestions for financial reporting in accordance with PSAK 45. Previous research also provided education to both treasurers and church managers about various educational backgrounds about how the role of accounting as a good financial statement recording and a means of decision making.

The author's suggestion for future research is for future researchers to better understand the existence of Accounting Standards Interpretation 35 which replaces Accounting Standards Statement 45, and create a pilot church that has been given training in making financial reports in accordance with ISAK 35, and educate church authorities and church managers about the quality of good financial reports and according to applicable standards in Indonesia. So that the culture of church financial reports in Indonesia in accordance with applicable Financial Accounting Standards in Indonesia can grow and spread to surrounding churches.

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