Enhance Security of Bank CKPN Value with the Implementation of PSAK No 50 and 55

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Abstract

This study aims to analyze the application of PSAK 50/55 on financial instruments and the presentation of disclosure/ recognition and measurement that focuses on the calculation of CKPN conducted by PT. Bank of North Sumatra. This research was conducted with a descriptive method of multi-purpose credit PT. Bank of North Sumatra with interview staff, and data reports. And research literature is available from the company and other supporting data. The results showed that PT. Bank Sumut has applied PSAK 50/55 appropriate standards that focus on calculating CKPN, accounting maintenance carried out by good companies that the financial reports produced are reliable for customers and stakeholders.

I. Introduction

As it is known that in general, a bank is a financial intermediary institution that was established with the authority to provide services, accept deposits and lend money. The role of banks today is very dominant in the Indonesian economy. Almost every community economic activity cannot be separated from the role of banks and other financial institutions outside the bank.

The function of banking institutions is as a financial intermediary between parties who need funds and those who have excess funds. In addition, banks also function as payment intermediaries. The role of the bank in the development of the country is as an agent of development where the bank has a strategic position as a supporter of development.

The characteristics of banks are very different from non-bank businesses, especially in the form of traded products. Banks do not trade physically but what banks do is trade in services. The banking industry plays an important role in encouraging the economic growth of a country. In line with economic development, the role of the bank as a pillar encourages economic growth.

In its business activities, which collect funds from the public in the form of money circulation, have experienced rapid development, accompanied by an increase in the quality of management and maximum service quality to maintain and increase public trust as service users who had experienced a decline in the past decade.

The increasing demand for and providing credit facilities will increase the credit risk in the credit portfolio. The credit risk faced is the risk of default (credit default) of the debtor in paying off his obligations which will form the Allowance for Impairment Losses (CKPN). Calculation of CKPN can be done collectively or individually. Collective CKPN calculations are carried out for loan portfolios with the same characteristics with a large number of debtors.

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Meanwhile, for debtors who have outstanding credit above the materiality limit set by each bank/or if the bank has objective evidence, the CKPN will be calculated individually. Collective CKPN calculation is carried out for credit with default category. Defaults are defaults on maturing loans, bankruptcy, or debt restructuring caused by debtors who have difficulty paying off their obligations.

The collective credit CKPN of PT. Bank Sumut has a very significant impact on PT. Bank's profit North Sumatra, because CKPN is a cost that is reserved for loans that have been realized and or shifts in days of arrears on existing loans in all Bank Sumut office units.

Previous research was conducted by Febriati (2013) with research on "Analysis of the Application of PSAK 55 on Allowance for Impairment Losses at PT. BRI (Persero) Tbk". The purpose of this study was to determine the extent of the application of PSAK 55 (revised 2011) on the allowance for recognition and measurement of CKPN at PT. BRI (Persero) Tbk. The research method used is descriptive. The results showed that in determining the allowance for impairment losses of PT. BRI (Persero) Tbk still refers to PSAK 50 (revised 2006). Recognition and measurement of CKPN applied by PT. BRI (Persero) Tbk has complied with PSAK 55 (revised 2011).

In PSAK 55 (revised 2011) credit impairment can only be recognized if there is objective evidence of impairment. This objective evidence can only be recognized if it has an effect over or understatement. The thing that usually causes such misstatements is because the value of the allowance for impairment losses presented is not correct.

This can affect the decision making of financial statement readers and reduce the credibility of the company's financial statements. Therefore, the analysis of the application of PSAK 55 (revised 2011) regarding credit impairment is something new and interesting to discuss.

II. Review of Literature

2.1 Theoretical Basis

According to the Indonesian Accounting Association (2012: 31) credit is "Lending of money or equivalent claims based on an agreement or loan agreement between a bank and another party that requires the borrower to repay the debt after a certain period of time with the amount of interest, compensation, or profit sharing.

The function of credit is to increase the usability of money, to increase the circulation and traffic of money, to increase the usability of goods, to increase the circulation of goods, as a means of economic stability, to increase business enthusiasm, to increase income distribution, and to improve international relations.

Purba (2020) stated that the bank is simply defined as a financial institution whose business activities are collecting funds from the public and channeling these funds back to the community and providing other bank services. According to banking principal Law No.10 of 1998 quoted by Idroes (2008: 15) which regulates the main banking regulations in Indonesia define as follows: "Banks are business entities that collect funds from the public in the form of deposits and distribute them to the public in the form of credit and or other forms in order to improve the lives of many people." (Dianto et al, 2020)

2.2 Allowance for Impairment Losses (CKPN)

Impairment is a condition in which there is objective evidence of an adverse event occurring as a result of one or more events that will occur after the initial recognition of the credit, and that adverse event has an impact on the estimated future cash flows of a financial asset or group of financial assets can be estimated reliably.

Allowance for impairment losses (CKPN) is a reserve formed by banks to deal with the risk of loss due to investment in earning assets. The amount of allowance for impairment losses (CKPN) is established based on a certain percentage of the nominal based on the classification of earning asset quality and is presented as a deduction from each earning asset, so that it will have an impact on the resulting net interest margin (NIM).

Because the results of the debtor's credit evaluation are based on the decisions of each bank, each bank has its own policy in establishing a reserve fund for its credit. Even so, the bank's policy should not deviate from several criteria contained in the PAPI (Indonesian Banking Accounting Guidelines) after the revision of PSAK 55. Techniques for Evaluation of Allowance for Impairment Losses

There are several techniques that can be used to evaluate impairment, namely :

1. Banks may use various techniques to evaluate impairment, either individually or collectively.
2. Evaluation of impairment is not only based on an approach or method that is standard (perspective rules/formulae) but is also based on expired credit judgment by parties who have the competence and authority considering the experience of historical losses and the data that can be observed is limited or may not be completely relevant to current conditions.
3. Individually, the Bank may use several techniques to evaluate impairment and measure impairment losses.

To be able to evaluate impairment, we need a period of time, the period of evaluation of impairment is as follows:

a. At the end of every month or at the latest at the end of every quarter, banks are required to evaluate whether there is evidence of   objectives that the credit or credit group has decreased in value.
b. In the event that the bank evaluates every quarter, but there is evidence objectives   the occurrence of impairment before the next evaluation date, the bank is required to re-estimate the future cash flows and allowance for impairment losses for these loans.

The provisions of PSAK 55 (2011:123) regarding the recognition of allowance for impairment losses are as follows "The process of estimating the amount of an impairment loss can result in a loss that may occur. In the latter case, the entity recognizes an impairment loss equal to the best estimate within that range, taking into account all relevant information available before the issuance of the financial statements regarding conditions that existed at the end of the reporting period.

PSAK No. 55 (revised 2011:65) "At the end of each reporting period, an entity evaluates whether there is objective evidence that a financial asset or group of financial assets is impaired".
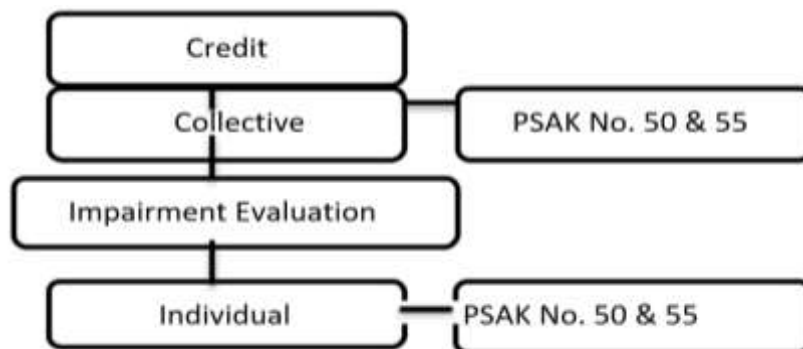
2.3. Conceptual Framework

Figure 1. *Conceptual Framework PSAK*

The preparation of this research as a final work is based on Bank Indonesia regulations where each bank must make allowance for earning assets in mitigating credit risk that may occur. Based on PSAK 55 (2006 revision), PPAP was changed to CKPN. The non-stipulation of the CKPN calculation method by Bank Indonesia as a regulator allows each bank to have its own policy in choosing the method. For this reason, choosing the right method can help banks maximize the reserves set aside to cover existing credit risk.

III. Research Method

The approach in this study uses descriptive research, according to Russiadi (2014:12) Descriptive research is: "Research is conducted to determine the value of independent variables, either one (independent) variable without making comparisons, or relationships with other variables".

1. PSAK 50 (revised 2010) is a statement of financial accounting standards that regulates instruments.
2. PSAK 55 (revised 2011) is a statement of financial accounting standards that regulates financial instruments: recognition and measurement.
3. Allowance for Impairment Losses (CKPN) is a special reserve fund established by the banking sector to address credit risk that cannot be recovered. In CKPN, the formation or provision of funds is assessed from the results of the debtor credit evaluation conducted by the bank. If according to a bank there is objective evidence that the credit of the debtor is impaired, the bank must establish funds or reserves for the credit. Because the results of the debtor's credit evaluation are based on the decisions of each bank, each bank has its own policy in establishing a reserve fund for its credit.

Even then, the bank's policy must not deviate from several criteria contained in the PAPI (Indonesian Banking Accounting Guidelines) after the revision of PSAK 55. In this study, the researcher will examine the recording and evaluate the formation of the value that has been formed on the allowance for impairment losses in accordance with PSAK No. 50 (revised 2010) & No. 55 (revised 2011).

Data collection techniques in this study were carried out using secondary data. Secondary data is obtained by taking data based on documents source documents, such as financial information data and data on allowance for impairment losses (CKPN). The data used in this study were obtained from PT. Bank of North Sumatra.

The author uses descriptive statistics in analyzing the data so that it can provide a true picture of the application of PSAK No. 50 (revised 2010) & No. 55 (revised 2011) on the allowance for impairment losses (CKPN) at PT. Bank of North Sumatra and then compared with existing theories so as to provide complete information for solving the problems encountered.

IV. Results and Discussion

4.1 Calculation of Allowance for Impairment Losses (CKPN) for Credit

In line with the implementation of PSAK 55 (revised 2011), PT. Bank of North Sumatra classifies CKPN calculation methods into 2 categories, namely individually and collectively. The process of calculating allowance for impairment losses on credit at PT. Bank of North Sumatra using the collective calculation method can be explained as follows:

Collective CKPN calculation includes all loans that are not evaluated individually and evaluated individually but there is no objective evidence of impairment. All assets are grouped into the same risk characteristic groups as described in the previous sub-chapter. Banks must calculate PD and LGD for each group based on historical data for at least the last three years.

The method of calculating PD, LGD and CKPN is in accordance with the guidelines for calculating credit CKPN at PT. North Sumatra banks are:

a. Loan Collectibility Tracking

This process is carried out by tracing the movement of customer loans at PT. Bank of North Sumatra in each credit risk group. Credit movements tracked are monthly migrations compared to LBU data in the same month in the following year. The author will observe the movement of credit balance positions based on the number of days in arrears. Observations focused on the migration of customer credit from one bucket to another.

b. Calculation of the Number of Migrations to Other Groups of Arrears

In this process, the authors add up all the total loans for 2014 into their respective credit groups and into the initial arrears group. After that, the author observes the migration of credit in the following year, namely 2015 and observes if there is a repayment of the credit.

Initial results of tracking credit migration on December 31, 2014 to December 31, 2015. It can be seen that the debit balance/fair value of the migration results for the group of days in arrears for the period of December 31, 2015 as the basis for calculating the migration presentation where the migration results show that most of the groups of days in arrears are worse off.

c. Convert Credit Migration Calculation into Percentage

To get PD results, a percentage value of customer credit migration is needed. After getting the total number of credit migrations, then converting the proportion of credits that moved buckets contained the balance at the end of the previous year into a percentage.

It is known that the level of probability for the multi-purpose credit group for group 1: arrears 0 to 30 days to be credit with group 7: arrears >180 days is 0.1653%. The level of migration must also be adjusted to the current conditions which include external and internal conditions.

d. Calculating the Probability of Default (PD)

Then calculate the Probability of Default (PD) per risk group every month for a period of one year. The results of the Probability of Default (PD) will be in the form of a percentage which will later be used to calculate the Collective CKPN.

After tracing the credit migration, the author calculates the amount of credit migration according to the group of arrears each month which is then converted into a percentage. After that the author can calculate the Probability of Default (PD) according to the formula that has been described previously.

Description :

$0.2974\% = (I3*J9)+(H3*J8)+(G3*J7)+(F3*J6)+(E3*J5)+(D3*J4)$

$20.0443\% = (I4*J9)+(H4*J8)+(G4*J7)+(F4*J6)+(E*J5)$

$43,0994\% = (I5*J9)+(H5*J8)+(G5*J7)+(F5*J6)$

$99,3638\% = (I6*J9)+(H6*J8)+(G6*J7)$

$14.9041\% = (I7*J9)+(H7*J8)$

$54.005\% = (I8*J9)$

100%

e. Calculating Loss Given Default (LGD)

To calculate the Collective CKPN, the LGD value is needed in the form of a percentage of losses experienced by the bank due to a decrease in credit scores. LGD is assumed to remain 100% with consideration of the last write-off policy carried out by PT. Bank Sumut is in 2008, so it is not included in the historical loss rate data period for the last 3 (three) years that will be used in the 2015 Collective CKPN calculation, namely historical loss data for 2012, 2013 and 2014. Calculation of LGD for 2016 and 2015 -The following year will be adjusted according to existing conditions whether or not the write-off was carried out by PT. Bank Sumut in the last 3 (three) years prior to those years.

f. Calculating Allowance for Impairment Losses (CKPN)

After determining the percentage of LGD, Bank Sumut forms CKPN with the basic formula:

$$CKPN = Outstanding \times PD \times LGD$$

CKPN = Allowance for Impairment Loss
Outstanding = Debit balance
PD = Probability of default
LGD = Loss Given Default

Outstanding multiplied by PD and LGD, from the table above it is also found that the formation of allowance for impairment losses (CKPN) in 2013 was Rp. 3,256,597,371.80, in 2014 the amount became Rp. 4,119,461,569.16. From 2013 to 2014 the allowance for impairment losses (CKPN) increased by Rp. 862,864,197.36. In 2015 the amount of allowance for impairment losses was Rp. 2,169,678,284.24. Allowance for impairment losses in 2014 to 2015 decreased by Rp. 1,949,783,284.92.

4.2 Implementation of PSAK 50 (revised 2010) & No. 55 (revised 2011) at PT. Bank of North Sumatra

According to the annual financial report of PT. Bank Sumut 2015, in the current year, PT. Bank Sumut has implemented all new and revised standards and interpretations issued by the Financial Accounting Standards Board of the Indonesian Accounting Association that are relevant to its operations and effective for the accounting period starting on January 1, 2011.

The implementation of new and revised standards and interpretations has had an impact on changes in the accounting policies of PT. Bank Sumut which affects the presentation and disclosure of financial statements for the current year or the previous year. In 2010, the Bank implemented the following revised PSAK which is effective for financial statements starting on or after January 1, 2010:

a. PSAK No. 50(revised 2006), Instrument Finance :Presentation and disclosure
b. PSAK No. 55(revised 2006), Financial Instruments: Recognition and Measurement

The adoption of PSAK 50 (revised 2006) resulted in wider disclosure of financial instruments including several qualitative disclosures related to financial risk management objectives. PSAK 55 (revised 2006) provides guidance on the recognition and measurement of financial instruments and contracts to purchase non-financial items.

In the initial application of PSAK 50 (revised 2006) and PSAK 55 (revised 2006), the calculation of the effective interest rate for financial instruments is measured at amortized cost previously obtained and still has a balance at the time of initial application of PSAK 55 (revised 2006) determined based on the future cash flows that will be obtained from the initial application of PSAK 55 (revised 2006) until the maturity of the financial instrument.

PT. Bank Sumut applies interpretation standards regarding financial instruments that are effective for the period starting on or after January 1, 2012, namely:

a. PSAK No. 50 (revised 2010), Financial Instruments: presentation
b. PSAK No. 55 (revised 2011), Financial Instruments: Recognition and Measurement
c. PSAK No. 60 Financial Instruments: Disclosure

The application of these accounting standards does not have a significant impact, especially regarding PSAK No. 55 (revised 2011). PSAK No. 55 (revised 2011) establishes the principles for recognizing and measuring financial assets, financial liabilities and contracts to buy or sell non-financial items. This PSAK provides a definition of the characteristics of derivatives, the categories of each financial instrument, recognition and measurement, hedge accounting and the designation of hedging relationships.

Based on PSAK No. 55 (revised 2011), every bank is required for has an internal model for calculating credit impairment. This is related to the evaluation of credit impairment criteria, and the calculation to the allowance for impairment losses. Every banks, including PT. Bank of North Sumatra is required to be creative in making internal models related to credit decline. This has positive and negative impacts on PT. Bank of North Sumatra.

The positive thing is that PT. Bank of North Sumatra can design an internal model that is most in line with the company's operations and risk policies. However, this is also an obstacle because there are no clear guidelines from Bank Indonesia in developing this internal model.

Bank Indonesia only requires the internal model to be guided by PSAK 55 (revised 2011) and PAPI 2008 which has a broad and less detailed explanation, while each bank is required to be able to make a satisfactory method. In preparing the internal method of credit impairment, PT. Bank of North Sumatra, especially the CKPN team, must go

through a long discussion to make adjustments to comply with the approval of Bank Indonesia.

To recognize the formation of reserves, the responsibility lies entirely with management to show that the value of these reserves is truly based on the experience of losses that occurred in the past. And also must have objective evidence of impairment that there is indeed an inherent loss in the portfolio balance sheet date. In addition, the standard also allows additional reserves related to certain economic risks unless there is really objective evidence.

PT. Bank Sumut requires great effort and sufficient time in developing a credit impairment model in order to adopt a method that is in accordance with PSAK No. 55 (revised 2011). Application of PSAK No. 55 (2011) also has an impact on the human resources of PT. Bank of North Sumatra. Human resources are an obstacle for PT. Bank Sumut because it is difficult for everyone to understand and apply PSAK No. 55 (revised 2011) in a short time and apply it without interruption. Human resources who control PSAK No. 55 (revised 2011) limited to PT. Bank of North Sumatra.

So that PT. Bank Sumut must assess its current human resources and conduct ongoing training so that available human resources can quickly adopt PSAK 55 (revised 2011), for example training on statistical data analysis to calculate allowance for credit losses using internal rating model owned by PT. Bank of North Sumatra.

Since the application of PSAK No. 55 (revised 2011), PT. Bank of North Sumatra is required to report allowance for impairment losses (CKPN) for loans to Bank Indonesia. In general, based on existing market practice, PSAK No. 55 (revised 2011) will reduce the CKPN value. This is because the implementation of PSAK No. 55 (revised 2011) requires banks to determine CKPN based on historical data on credit losses that have occurred.

While PSAK 55 (2006 revision), banks can determine CKPN based on the concept of expected credit losses (expectation loss) so that banks can accumulate large reserves. This is widely used by banks to polish their financial statements and perform window dressing, namely engineering bank financial statements to make them look better. in the eyes of users of financial statements.

PT. Bank of North Sumatra must be very careful in determining adjutsments in the calculation of collective CKPN for credit in order to remain in accordance with PSAK 55 (revised 2011) and also protect PT. Bank Sumut from possible losses on credit defaults in the future.

4.3. Impact of the Implementation of PSAK No. 55 (revised 2011) Regarding Credit Impairment at PT. Bank of North Sumatra

Application of PSAK No. 55 (revised 2011) had an impact on PT. Bank of North Sumatra related to financial reports and also business operations. Regarding the financial statements, PT. Bank Sumut has an understanding balance due to an adjustment that is not in accordance with PSAK No. 55 (revised 2011) on the calculation of CKPN credit. Meanwhile, in terms of operations, PT. Bank of North Sumatra must try hard to adapt to the calculation of CKPN Credit in accordance with PSAK No. 55 (revised 2011). This causes PT. Bank of North Sumatra must redesign the internal model for the calculation of CKPN Credit to comply with PSAK No. 55 (revised 2011), in addition, PT. Bank of North Sumatra must also have human resources who master PSAK No. 50 & No. 55.

Table 1. Comparison of CKPN Presentation Based on PSAK No. 50 (2010) with PT. Bank of North Sumatra.

No.	Based on PSAK No. 50 (revision 2010)	Based on PT. Bank of North Sumatra	Conclusion
1.	Value of Accounts Receivable presented in the report financial position is the value of accounts receivable minus reserves drop loss Mark.	Accounts receivable value is presented in statement of financial position after deducting loss reserve impairment.	In accordance. Because value accounts receivable on the report financial position has been minus reserves drop loss Mark.
2.	Notes on reports finance explain accounting policy bank, financial asset measured in value reasonable, explanation regarding loans given and reserve classification drop loss Mark.	Notes on reports finance describes accounting policy bank, financial asset as measured by the value of reasonable, and description regarding the loan given and group loss reserve impairment.	In accordance. On note financial statements that generated already contains policy explanation bank accounting, assets finance on value reasonable and grouping loss reserve impairment.

Table 2. Comparison of CKPN Recognition Based on PSAK No. 55 20111)ra.

No.	Based on PSAK No. 55 (revised 2011)	Based on PT. Bank of North Sumatra	Conclusion
1.	Impairment of asset value recorded finances at cost amortized measured use tribe early effective interest the instrument because of discounting use tribe market interest	Impairment of asset value finance recognized cost gain with use tribe effective interest.	In accordance. Because good according to PSAK and company, impairment must be recognized cost by using effective interest rate.

	will apply impact as if financial assets it is measured by value reasonable and not acquisition amortized.		
2.	Present value calculation of estimated cash flow	Estimated future cash recognized by value	In accordance. Because in estimate cash

Table 3. Comparison of CKPN Measurement Based on PSAK No. 55 (2011) with PT. Bank of North Sumatra.

No.	Based on PSAK No. 55 (revised 2011)	Based on PT. Bank of North Sumatra	Conclusion
1.	Future cash flow from asset group financial decline in value evaluated by collective, estimated based on loss historical ever experienced on assets which has risk characteristics similar credit with characteristics group risk the.	Financial assets that have been grouped and collectively evaluated measured by 3 year historical loss last on assets finance.	In accordance. because of assets financial evaluated collectively measured based on loss historical ever experienced by the company.
2.	Methodology and assumptions that used in estimate cash flow future studied repeat regularly to reduce difference between estimated amount loss with amount of loss actual.	Estimated loss on which assets will come to be studied periodically, for minimize the difference between the estimated amount loss by amount real loss- really happened	In accordance. Because methodology and assumptions that used in estimate loss on assets which will come reviewed regularly.

V. Conclusion

Based on the analysis and discussion contained in the previous chapter, it can be concluded that:

1. The presentation of the value of receivables and notes to the financial statements in the statement of financial position as well as disclosure of impairment of financial assets is in accordance with PSAK No. 50 (revised 2010).
2. Recognition of estimated future cash and measurement of financial assets and estimated losses is in accordance with PSAK No. 55 (revised 2011).
3. PSAK No. 50 (revised 2010) and PSAK No. 55 (revised 2011) on reserve impairment loss by PT. Bank of North Sumatra has complied with the applicable standards.
4. Application of PSAK No. 55 (revised 2011) the effect on credit income is fully recognized up front and the formation of allowance for impairment losses (CKPN) which is calculated using the probability of default (PD) and loss given default (LGD) methods.

From PD data for the period 2013 – 2015 PT. Bank of North Sumatra can be seen that PD increases so that the CKPN formed increases, this is due to a lack of awareness in planning and evaluating or monitoring loans that have been disbursed

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