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CLASSIFICATION ANALYSIS OF THE PRESENTATION OF IMPAIRMENT EXPENSES IN THE STATEMENT OF COMPREHENSIVE INCOME

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ABSTRACT

This study investigates the classification practices of impairment expenses for receivables in the comprehensive income statements of companies in the telecommunications sector in Indonesia. Utilizing a qualitative case study approach, the research analyzes financial reports from 2020 to 2023, focusing on the impacts of PSAK 109, which emphasizes expected credit losses. The findings reveal significant variations in how companies classify impairment charges, influenced by factors such as auditor characteristics, business models, and management interpretations of accounting standards. The analysis indicates that many companies still present impairment expenses inconsistently, affecting the transparency and comparability of financial statements. This lack of uniformity complicates decision-making for investors and stakeholders. The research highlights the necessity for improved financial literacy programs and the consistent application of accounting standards to enhance the quality of financial reporting in the telecommunications sector.

KEYWORDS *Impairment Expenses, Financial Reporting, PSAK 109, Telecommunications Sector, Accounting Standards, Financial Transparency*

INTRODUCTION

Companies possess a variety of assets, including receivables. Receivables represent a company's right to receive payment from customers for goods or services that have been sold (Ahkam et al., 2021; Frennea et al., 2019; Paseková et al., 2021). They are an important current asset because they serve as a source of funds to finance operational activities. However, receivables also pose a risk if not properly managed (Ahkam et al., 2021; Ahmed et al., 2020; Bai et al., 2022; Dedeh, 2016; Sulistiyorini, 2019).

A decrease in the value of receivables is a risk that companies must anticipate. This decline may occur when receivables cannot be realized at their carrying value. Several factors, such as deteriorating customer financial conditions, market price fluctuations, or future uncertainties, can contribute to this decline. A reduction in receivables' value directly impacts net profit and financial performance (Adiguzel, 2021; Demchenko, 2023; Nguyen et al., 2021; Puspitasari & Sudana, 2023; Santosa, 2019).

The impairment of receivables is recognized as an expense in the company's *comprehensive income statement*. Such impairment charges reduce net profit and affect overall performance. However, there are no specific accounting standards regulating the classification of impairment charges for receivables in the *comprehensive income statement*. Consequently, companies may classify these charges according to their own accounting policies (Būmane, 2018; Faccia et al., 2021; Lin et al., 2018; Malolle, 2023; Prewysz-Kwinto, 2019).

PSAK 71 is a financial accounting standard that governs the recognition, measurement, presentation, and disclosure of financial assets. Effective as of January 1, 2020, it replaced *PSAK 55*. As of January 1, 2024, *PSAK 71* has been renamed *PSAK 109*. This standard requires recognition of receivables impairment from the initial recognition stage by considering expected credit loss (*ECL*), in contrast to *PSAK 55*, which only recognized impairment upon customer default (*incurred credit loss*). Due to this shift, impairment expenses reported under *PSAK 109* tend to be higher, as companies must anticipate losses even in the absence of clear evidence of customer default.

PSAK 109, which addresses financial instruments, is not limited to the financial sector—it also affects non-financial industries that rely on receivables. Both financial and non-financial institutions face risks related to bad debts or low collectibility due to various factors, including unstable economic conditions, debtor defaults, or collection errors. Company sustainability depends on stable cash flows, particularly cash receipts from receivables. Therefore, effective receivables management is essential. Uncollectible receivables negatively impact liquidity and profitability. The higher the value of such receivables, the greater the burden on the company. Thus, strong receivables management is a critical component of achieving financial success.

In a competitive business environment, companies strive for optimal performance, with profitability as a primary indicator of success. Shareholders, in particular, place pressure on management to meet financial performance targets. To respond, companies set ambitious goals, especially concerning profitability. It is one of the most commonly used metrics by both companies and investors. Firms that maintain healthy profit levels are more likely to experience sustainable growth. Thus, profitability is not just an end goal—it is also a strategic enabler of broader corporate objectives.

Since the implementation of *PSAK 109* in 2020, companies in Indonesia have demonstrated significant variation in disclosing receivables impairment charges. Some report them before operating income, while others do so afterward. For instance, PT Link Net Tbk. includes impairment charges under general and administrative expenses within operating costs, whereas PT Tower Bersama Infrastructure Tbk. records them as part of other expenses. These differences can be attributed to business characteristics, internal accounting policies, and differing interpretations of *PSAK 109*.

PSAK 1, renamed *PSAK 201* as of January 1, 2024, governs the presentation of financial statements, which serve as vital information for decision-making. Impairment charges for receivables must be recognized as expenses in the profit or loss statement, as they reflect losses from declines in asset value. The classification of such charges influences reported net profit and financial performance. When classified as operating expenses, they reduce net profit consistently across periods. When classified as non-operating or extraordinary expenses, they affect profit only in the specific period in which they occur—potentially reducing comparability across financial periods. This disparity in classification practices introduces inconsistency in how companies present operating results.

In April 2024, the International Accounting Standards Board (*IASB*) issued *IFRS 18 Presentation and Disclosure in Financial Statements*. This standard introduces major changes to income statement presentation, emphasizing transparency and comparability. Under *IFRS 18*, companies must present defined subtotals—such as operating profit, profit before financing and income tax, and net profit—and classify expenses based on their nature or function. This makes the classification of receivables impairment charges a focal point for financial reporting analysis. The standard prompts a reevaluation of how such expenses are presented in line with its newly introduced categories.

Therefore, this study aims to assess how the classification of impairment charges aligns with *IFRS 18*'s subtotals and classification criteria. It also investigates the implications for financial reporting quality and intercompany comparability. Given that companies currently have the discretion to classify these charges based on internal policy, the impact on reported performance can vary widely.

This research, titled **"Classification Analysis of the Presentation of Impairment Expenses on Receivables in the Comprehensive Income Statement"**, seeks to contribute to accounting theory and practice. The findings aim to improve financial reporting quality and provide more accurate insights for financial statement users.

Previous studies by Alim et al. (2021) and Surya et al. (2022) support the importance of consistent impairment classification. Alim et al. (2021) found that classification directly influences financial ratios and report transparency. Similarly, Surya et al. (2022) noted that inconsistency complicates financial comparability, particularly across firms following different policies. These studies underscore the need for standardized impairment charge classification to support consistency and comparability.

This research explores the influence of *PSAK 109* and *IFRS 18* on the classification of impairment expenses for receivables. By comparing practices across firms, the study provides insight into the effect on profitability and financial performance. Distinct from previous works, it examines the potential implications of *IFRS 18*'s adoption in Indonesia, especially regarding its effect on comparability and decision-making in corporate financial reporting.

The purpose of this research is to assess the implications of the new *PSAK 109* and *IFRS 18* standards on the classification of impairment charges for receivables, particularly in the context of presentation in the *comprehensive income statement*. Its benefit lies in offering companies guidance to comply with the standards and improve financial reporting quality—ultimately assisting stakeholders such as investors, creditors, and regulators in making more informed decisions.

RESEARCH METHOD

This research uses a qualitative case study approach with a descriptive orientation, specifically *case studies*. A qualitative approach is employed to explore and understand the meaning individuals or groups assign to a particular problem (Creswell & Creswell, 2017; Creswell & Poth, 2018). The case study is conducted using financial report data from all infrastructure industry companies listed on the Indonesia Stock Exchange.

The research relies on secondary data. *Secondary data* refers to information that has been collected by other parties for different purposes; in other words, it is pre-existing data not obtained directly from the original source. The data are acquired through methods such as data collection, analysis, and documentation.

The *triangulation method* refers to the use of multiple data collection techniques in line with the research approach. The use of triangulation in this study aims to enhance the validity and reliability of the findings. By integrating qualitative and quantitative data, as well as data from various sources (such as annual and financial reports), the researcher gains a more comprehensive understanding and minimizes potential bias in interpreting the data.

The first stage involves collecting secondary data, specifically financial reports from 2020 to 2024 and annual reports of infrastructure industry companies listed on the IDX, accessed through the *BEI* website. The second stage involves analyzing the financial reports. The reports analyzed include those from 2020—the initial year of *PSAK 109* implementation—through to 2023. The selection of the 2020 financial report as a starting point aims to observe the impact of *PSAK 109* implementation on the classification practices of receivables impairment charges. These secondary data are then analyzed quantitatively to identify trends and patterns in the recognition and measurement of such charges.

A comparative analysis is also conducted to examine variations in receivables impairment charges across companies, across different time periods, and among companies that apply different accounting treatments for impairment measurement. Additionally, a comparison is made between the company's performance targets and their actual financial performance.

The third stage is the *combined analysis* phase. This stage uses triangulation techniques to verify findings from various data sources. The goal is to provide a precise and in-depth description of how impairment charges are classified by infrastructure companies listed on the IDX, the influencing factors, and how the presentation of receivables impairment charges relates to performance targets and debt covenant requirements.

RESULT AND DISCUSSION

Recording of Receivables Impairment Expenses

An in-depth analysis of 21 companies in the telecommunications subsector has been carried out. The analysis carried out is by identifying where each company that is included in the telecommunications subsector classifies the recording of the Allowance for Impairment of Value of Receivables that they have.

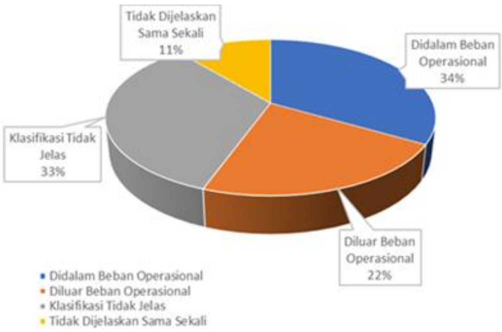

Figure 1. Classification of Recording Allowance for Impairment of Receivables in 2020

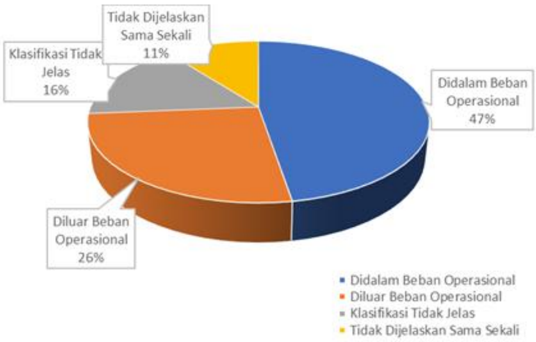

Figure 2. Classification of Recording Allowance for Impairment of Receivables in 2021

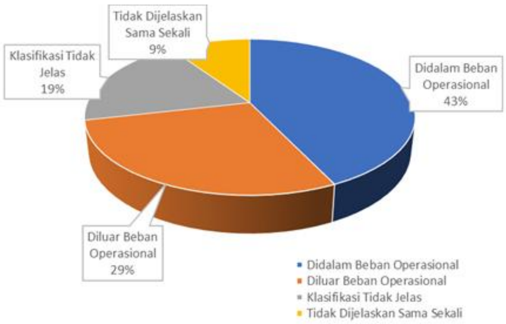

Figure 3. Classification of Allowance for Recording Impairment of Receivables in 2022

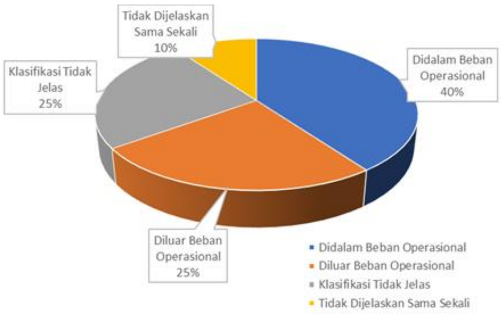

Figure 4. Classification of Allowance for Recording Impairment of Receivables in 2023

Based on the 2023 financial report, there is a wide range of practices in classifying receivables impairment charges. The research findings indicate that not all companies provide complete and consistent information regarding *receivables impairment reserves*. One company's financial report could not be obtained. Two companies did not provide any related information at all, eight companies categorized the charges as operational expenses, five companies did not classify them as operational expenses, and five others did not provide a clear classification. These variations reflect differing interpretations of applicable accounting standards, variations in business characteristics, and the potential influence of financial pressure on management decisions.

In the 2022 financial reports, nine companies classified receivables impairment charges as operational expenses, six companies did not, two companies did not disclose any related information, and four others failed to provide a clear classification. In 2021, two companies' financial reports could not be obtained, two companies did not disclose or explain the relevant information, seven companies categorized the impairment charges as operational expenses, five did not, and three companies gave no clear clarification.

For the 2020 financial reports—the first year of *PSAK 109* implementation—more companies did not classify receivables impairment charges. Specifically, three companies' financial reports were unavailable, six companies categorized the charges as operational expenses, four companies did not, and six provided no clear classification.

In 2019, which marked the final year of *PSAK 239* implementation, four companies' financial reports were unobtainable. Five companies categorized the impairment charges as operational expenses, four did not, and six companies gave no clear clarification. This composition is similar to the initial implementation phase of *PSAK 109* in 2020.

In addition, the role of the auditor is a factor that must be considered. Auditor characteristics—such as the level of thoroughness and independence—can influence the quality of audits and the accounting practices adopted by companies. These variations in classification practices have significant implications for financial statement users, as they hinder the comparability of financial performance across companies and complicate investment decision-making. This research underscores the importance of consistency in applying accounting standards and transparency in financial reporting. For future research, a more in-depth analysis is needed to explore the factors influencing classification practices, such as company size, the complexity of financial structures, and industry competition levels. Moreover, it is important to examine how changes in accounting regulations affect the practice of classifying receivables impairment charges over time.

Table 1. Telecommunication Sub Sector Company Auditors from 2020 Based on the Classification of Recording Impairment Expenses Performed

Auditor	Operational Expenses	Not as an operational expense	Not Classified Clearly	Not Served At All
BDO		1		3
Crowe		1		
EY	3			1
SON			1	
Moore		1		
PRI		1		
PWC		2		
RSM	2		1	
SFAI	1			

Source: processed data

Table 2. Telecommunication Sub Sector Company Auditors from 2021 Based on the Classification of Recording Impairment Expenses Performed

Auditor	Operational Expenses	Not as an operational expense	Not Classified Clearly	Not Served At All
BDO		1		3
Crowe				1
EY	4			1
IEC Net	1			
SON			1	

Auditor	Operational Expenses	Not as an operational expense	Not Classified Clearly	Not Served At All
Moore	1			
Morison			1	
PRI	1			
PWC		2		
RSM	2			

Source: processed data

Table 3. Telecommunication Sub Sector Company Auditors from 2022 Based on the Classification of Recording Impairment Expenses Performed

Auditor	Operational Expenses	Not as an operational expense	Not Classified Clearly	Not Served At All
BDO		1		3
Crowe			1	1
EY	4			1
IEC Net	1			
crest				1
Moore	1	1		
Morison			1	
PRI	1			
PWC		2		
RSM	2			

Source: processed data

Table 4. Telecommunication Sub Sector Company Auditors from 2023 Based on the Classification of Recording Impairment Expenses Performed

Auditor	Operational Expenses	Not as an operational expense	Not Classified Clearly	Not Served At All
BDO		3		
EY	3	1		
Moore	1		2	1
Morison				1
Nexia		1		
PRI	1			
PWC	1		2	
RSM	2		1	

Source: processed data

The choice of auditors in telecommunications subsector companies in Indonesia shows a fairly clear trend—namely, the dominance of *Public Accounting Firms* (*KAP*) included in the *Big 10* category. These large *KAPs*, with international reputations and adequate resources, are generally considered to have a higher level of competence in auditing the financial reports of public companies, including those in the telecommunications sector. The dominance of the *Big 10 KAPs* may be driven by several factors, including the firm's reputation, the complexity of the telecommunications business that requires specialized expertise, and increasingly stringent regulatory requirements for audit quality.

Despite this dominance, there are companies that choose to use smaller or local *KAPs*. This diversity in auditor selection shows that companies have varying considerations when appointing auditors, such as cost, specialization, long-term relationships, or other strategic factors. The use of different *KAPs* can significantly impact audit quality, as each firm has unique characteristics, resources, and audit approaches. Smaller audit firms may lack the capacity to perform complex audit procedures compared to *Big 10* firms, while local *KAPs* might possess a deeper understanding of local business environments and applicable regulations in Indonesia.

Large-scale companies in the telecommunications subsector often choose *Big 4 KAPs*, such as EY and PWC, as their external auditors. This decision is driven by several considerations. First, *Big 4 KAPs* typically have a strong global reputation and are seen as more credible in issuing audit opinions. Second, they possess sufficient human resources, including experts with specialized knowledge of the telecommunications sector, enabling them to provide more comprehensive audit services. Third, *Big 4 KAPs* have extensive global networks, which can benefit telecommunications companies operating across countries. The use of *Big 4 KAPs* is expected to enhance audit quality, as they generally uphold high standards, apply rigorous audit procedures, and maintain robust quality control systems. Additionally, *Big 4* firms are subject to stricter oversight from regulators compared to smaller *KAPs*.

However, even within *Big 4 KAPs*, there are significant variations in how receivables impairment charges are recorded. For example, EY recorded PT Telekomunikasi Indonesia Tbk's receivables impairment not as an operational expense, whereas in its subsidiary, PT Dayamitra Telekomunikasi Tbk., the expense is classified as operational. On the other hand, PWC, in the financial report of PT XL Axiata Tbk., does not clearly classify the accounting treatment for these impairment charges. These discrepancies suggest differing interpretations of applicable accounting standards and may point to weaknesses in audit quality oversight. Such inconsistencies raise concerns about the application of fundamental accounting principles and may undermine users' confidence in financial reporting.

Presentation of Receivables Impairment Expenses in the Comprehensive Income Statement

An in-depth analysis of financial reports from telecommunications subsector companies for the period 2019 to 2023 reveals diverse practices in presenting impairment charges on receivables. This study identifies four main patterns of presentation: operating expenses, other expenses, unclear classification, and no presentation at all. These differences have significant implications for financial statement transparency, comparability of performance across companies, and decision-making by financial statement users.

The four patterns are:

a. Presentation of Receivables Impairment Expenses as Operating Expenses:

Several companies classify receivables impairment charges under operational expense items. This approach implies that the company considers such charges as costs arising from core business activities, directly affecting operational profitability. As a result, financial statement users can clearly see the burden of *cadangan kerugian penurunan nilai* (*CKPN*) and its impact on operational performance.

b. Presentation of Receivables Impairment Expenses Not as Operating Expenses:

Other companies report these charges under *other expenses*, indicating that the impairment is viewed as an adjustment or correction to asset value rather than a cost related to daily operations. Nevertheless, it still affects net profit.

c. Presentation of Receivables Impairment Expenses Not Clearly Classified:

In some cases, receivables impairment charges are recorded under vague or unspecified line items, making it difficult for users to assess their impact. This practice compromises the transparency and accountability of the company.

d. Presentation of Impairment Expenses on Receivables Not Presented at All:

Certain companies do not disclose impairment charges for receivables in their financial statements. This could indicate either a lack of recognition or intentional omission. Such a practice contradicts generally accepted accounting principles and may mislead financial statement users. However, it is also possible that the impairment amount is deemed immaterial, prompting both the company and auditor to exclude it, or that it is included in other expenses without clear explanation in the *Catatan atas Laporan Keuangan* (*CALK*).

The diversity in the practice of presenting impairment charges for receivables in the financial statements of telecommunications subsector companies reflects several complex, interrelated factors. These include the unique nature of the business, which creates different risk profiles for each business line. The telecommunications subsector comprises numerous companies with varying business characteristics and scales—large, medium, and small. Each company, based on its scale and type, differs in how it presents *cadangan kerugian penurunan nilai* (CKPN) or impairment loss reserves.

1) Presentation of Receivables Impairment Expenses as Operational Expenses

Based on Table 1, an analysis of PT Smartfren Telecom (FREN)'s accounting practices during the implementation of *PSAK 109* (2020–2023) reveals significant inconsistencies in recognizing impairment charges for receivables. This is evident from the fact that the company explicitly classified the impairment charge as an operational expense only once, in 2021. In other years, FREN did not provide clear classification of these expenses in its financial statements. This ambiguity raises questions about the consistency in applying relevant accounting standards and indicates potential variations in accounting treatment over time. Contributing factors may include changing management interpretations of *PSAK 109*, performance pressures encouraging profit manipulation, or limited understanding of the implications of impairment recognition. Such inconsistencies can mislead users of financial statements—especially investors and creditors—thereby influencing their economic decisions.

In contrast, PT Jasnita Telekomindo Tbk (JAST)'s financial reports show a positive shift in accounting practices related to receivables impairment. Initially, during the early implementation of *PSAK 109*, JAST did not provide clear classification of impairment charges in the income statement. However, since 2021, the company has consistently classified these expenses as operational. This shift reflects an effort to offer more transparent and relevant information to financial statement users. By categorizing impairment charges as operating expenses, JAST provides a clearer view of operational performance and the effect of receivables quality on profitability. Moreover, this change aligns with practices commonly adopted by comparable firms. Still, further analysis is needed to understand what motivated this change and its implications for investor and creditor decision-making.

Across the companies studied, there is a noticeable upward trend in recognizing impairment charges as operational expenses over time. This suggests a paradigm shift in financial reporting, with companies placing greater emphasis on transparency and accuracy. Classifying these charges as operational implies that receivables quality is a key determinant of operational performance. This trend also suggests companies are increasingly adopting net profit as a core performance indicator. Consequently, impairment charges are no longer viewed as extraordinary items, but rather as integral to routine operations. The implication is that companies taking this approach may also place stronger emphasis on managing receivables and mitigating credit risk—highlighting a broader awareness of asset quality and risk management in today's competitive business environment.

2) Presentation of Receivables Impairment Expenses Not as Operational Expenses

The accounting practices of several companies indicate a relatively stable trend of classifying receivables impairment charges outside of operational expenses. This pattern is closely tied to the choice of performance metrics used to gauge success. Many companies, based on their annual reports, use *EBITDA* (Earnings Before Interest, Taxes, Depreciation, and Amortization) as a primary performance metric. Because *EBITDA* excludes items such as interest, taxes, and depreciation, it emphasizes core operational performance. As a result, by not classifying impairment charges as operational expenses, companies can maintain a higher *EBITDA*, thereby sending a more favorable signal to investors and stakeholders. Additionally, decisions to exclude these charges from operating expenses may be influenced by a desire to present stronger financials or meet internal performance targets. However, relying solely on *EBITDA* can offer an incomplete picture of a company's true financial health, as it overlooks several essential cost elements.

PT LCK Global Kedaton Tbk (LCKM), during the 2020 to 2023 period, demonstrated notable inconsistencies in recognizing and classifying impairment charges. In 2020, when audited by Crowe, the company did not clearly classify impairment charges in its profit and loss statement. This lack of clarity persisted into 2021, when the impairment charges were again not recognized as operational. In 2023, despite switching auditors to Moore Stephens, uncertainty in classification continued. The change in auditor did not lead to improved disclosure, and LCKM still failed to provide transparent information on the treatment of impairment charges. Such inconsistencies raise concerns about the quality of LCKM's financial reporting and cast doubt among users—including investors and creditors—about the company's financial integrity. This may also point to differing interpretations of accounting standards between management and auditors.

PT Telekomunikasi Indonesia Tbk (TLKM) and its subsidiary, PT Dayamitra Telekomunikasi (MTEL), both audited by EY, show striking differences in the accounting treatment of impairment charges. While TLKM, the parent company, did not classify these charges as operational expenses, MTEL consistently did. These differences highlight flexibility in applying accounting standards, allowing companies to choose methods that best suit their strategic goals. Even under the same auditor, differences in applying conservative accounting principles exist. This discrepancy calls into question TLKM's internal control over receivables quality and financial accuracy. It also suggests that TLKM's choice may be driven by a desire to maintain a high *EBITDA*, thus presenting a more favorable image to the capital market. However, such accounting practices may offer a misleading view of financial performance.

Additionally, analysis of companies audited by BDO *KAP* shows a consistent trend of not classifying impairment charges as operational expenses. This is particularly noteworthy given BDO's strong presence in the telecommunications subsector. The correlation between BDO's audits and non-operational classification suggests the auditor's conservative stance in handling impairment charges. This raises questions about auditor independence and objectivity. Furthermore, such consistency may indicate tacit agreements between auditor and client aimed at producing more favorable financial outcomes. While this may provide short-term benefits by boosting profitability, it can ultimately harm investors and other stakeholders who rely on financial transparency.

3) Presentation of Receivables Impairment Expenses Not Clearly Classified

Analysis of several companies' 2023 financial statements reveals inconsistent recognition and classification of impairment charges. Among the sampled companies, five did not provide clear classification of impairment charges in their profit and loss statements. This suggests uncertainty in applying generally accepted accounting principles, particularly regarding recognition and measurement of receivables impairment. Upon further review, varied accounting patterns were found. Three companies have consistently failed to classify these charges as operational since 2020. Two other companies displayed fluctuating recognition practices: for example, FREN recognized impairment as an operational expense in 2021, but not in other years. Meanwhile, LCKM did not recognize it as an operational expense in 2021 and 2022, and again failed to provide clarity in 2023. These inconsistencies raise significant concerns about the quality and reliability of financial reporting and may undermine the confidence of report users.

4) Presentation of Receivables Impairment Expenses Not Explained at All

In the telecommunications subsector, companies such as PT Protech Mitra Perkasa Tbk (OASA) and PT Solusi Tunas Pratama (SUPR) have exhibited unique practices by consistently not disclosing impairment charges in their financial statements from 2019 to 2023. The absence of impairment recognition suggests that these companies consider credit risk to be low and thus see no need for loss reserves. The implication is that they expect full recoverability of their receivables. However, the absence of such charges does not necessarily indicate that receivables are in excellent condition. Other factors, such as accounting discretion or performance pressure, may influence the decision not to recognize impairment. Therefore, deeper analysis is needed to validate the true quality of these receivables. Nevertheless, based on available data, it can be concluded that these companies have managed their receivables well enough to minimize credit risk.

Company Targets and Performance

Financial targets and performance are fundamental pillars of a company's sustainability and growth. Setting financial targets at the beginning of the year serves as a compass that guides all company activities. The figures in these targets are not merely projections; they function as references for management in formulating appropriate business strategies. With clear financial targets, companies can objectively measure performance and identify areas needing improvement. Financial targets act as benchmarks for achieving business goals. Through these targets, companies can optimize the use of available resources—be they human, financial, or material. Additionally, financial targets serve as motivational tools for all employees. Challenging yet realistic targets encourage employees to work harder and foster innovation.

Transparency and regulatory compliance are essential for achieving financial targets. Ambitious targets without support from transparent and accountable business practices will likely lead to failure. Preparing accurate financial reports in accordance with *Standar Akuntansi Umum* (*SAU*) is a critical foundation for building stakeholder trust. Well-prepared financial reports provide a clear picture of the company's financial performance, including how well it has achieved its targets.

Financial ratios calculated based on accurate financial reports provide more relevant and reliable information. Ratios such as profitability, liquidity, and solvency are used to analyze a company's financial performance in greater depth. By comparing a company's financial ratios with those of peers or industry benchmarks, users of financial statements can assess relative performance and pinpoint areas needing improvement.

The accounting treatment of receivables impairment charges has significant implications for financial ratios. The classification of these expenses—whether as operational expenses or as a reduction in receivables—directly affects the calculation of various ratios. For instance, if a company classifies impairment charges as operational expenses, these costs will reduce gross profit. Consequently, gross profit-based ratios such as the *gross profit margin* will be affected. Companies that do not classify these expenses as operational will report higher gross profit ratios, since the expenses are not charged in the current period.

Such differences in accounting treatment can lead to inconsistencies when comparing financial performance across companies. Firms using different methods to classify receivables impairment charges will generate financial ratios that are not fully comparable. This creates challenges for investors, analysts, and creditors in conducting comparative financial analyses. Moreover, differences in accounting treatment can influence management decisions. For example, if management aims to improve the company's gross profit ratio, it may be tempted not to classify impairment charges as operational expenses. However, such decisions may distort the actual financial picture and potentially mislead users of financial statements.

Table 5. Target Companies in the Telecommunications Subsector and Classification of Impairment Expenses on Their Receivables

Name	Performance Targets	Classification
BALI	EBITDA	Presentation of Receivables Impairment Expenses as Operating Expenses
TLKM	EBITDA	Presentation of Receivables Impairment Expenses Not as Operating Expenses
TBIG	EBITDA	Presentation of Receivables Impairment Expenses Not as Operating Expenses
TOWR	EBITDA	Presentation of Receivables Impairment Expenses as Operating Expenses

Name	Performance Targets	Classification
EXCL	EBITDA	Presentation of Receivables Impairment Expenses Not Clearly Classified
BRAKES	EBITDA, EBIT	Presentation of Receivables Impairment Expenses Not Clearly Classified
CENT	Income	Presentation of Receivables Impairment Expenses as Operating Expenses
JAST	Income, Comprehensive Income	Presentation of Receivables Impairment Expenses as Operating Expenses
ONE	EBITDA	Presentation of Receivables Impairment Expenses Not Clearly Classified
GOLD	Revenue, Net Profit	Presentation of Receivables Impairment Expenses Not as Operating Expenses
GON	EBITDA	Presentation of Receivables Impairment Expenses Not as Operating Expenses
IBST	EBITDA	Presentation of Receivables Impairment Expenses Not Clearly Classified
KBLV	Income	Presentation of Receivables Impairment Expenses as Operating Expenses
LCKM	Revenue, Net Profit	Presentation of Receivables Impairment Expenses Not Clearly Classified
LINK	EBITDA	Presentation of Receivables Impairment Expenses as Operating Expenses
ASA	-	Presentation of Receivables Impairment Expense Not Presented at All
UP	EBITDA	Presentation of Receivables Impairment Expense Not Presented at All
MTEL	EBITDA	Presentation of Receivables Impairment Expenses as Operating Expenses
KETR	Income	Presentation of Receivables Impairment Expenses Not as Operating Expenses
MUST	EBITDA	Presentation of Receivables Impairment Expenses as Operating Expenses

Source: processed data

Based on the table above, it can be analyzed that the annual reports of companies in the telecommunications subsector reveal interesting similarities in selecting financial targets. Almost all the companies studied set *EBITDA* as the main metric in their financial targets. This fairly uniform choice indicates that *EBITDA* has become the *de facto* standard in the telecommunications industry for measuring operational performance. *EBITDA*, or *Earnings Before Interest, Taxes, Depreciation, and Amortization*, is a financial ratio that measures profits before deducting interest, taxes, depreciation, and amortization expenses. By eliminating the influence of these non-operational factors, *EBITDA* provides a purer picture of the company's core business performance. This makes *EBITDA* a very useful metric for comparing performance between companies, especially in capital-intensive industries like telecommunications.

Although there are significant differences in the recording of receivables impairment charges among the companies studied, the uniform choice of *EBITDA* targets indicates that these companies tend to focus more on their core operational performance. Differences in the accounting treatment of receivables impairment charges may affect other financial ratios, such as net profit, but do not necessarily change a company’s view of its core performance. The choice of *EBITDA* as a financial target is also related to the characteristics of the telecommunications industry, which generally involves large fixed assets and relatively long asset life cycles. Therefore, depreciation and amortization are significant cost components in a company's expense structure. By using *EBITDA*, companies can eliminate the influence of fluctuations in depreciation and amortization on net profit, thereby providing a more stable view of operational performance.

While *EBITDA* has become the dominant metric in the telecommunications industry, there are some exceptions. Some companies, such as PT Kretosden Triasmitra Tbk (*KETR*) and PT LCK Global Kedaton Tbk (*LCKM*), choose to use different financial performance metrics. *KETR*, for instance, specifically sets revenue as its main performance target. This choice indicates that *KETR* may be more focused on business growth and market share expansion than on short-term profitability—in other words, prioritizing revenue increase over profit optimization. *LCKM*, on the other hand, uses a combination of revenue and net profit as performance targets. This choice shows that *LCKM* values both revenue growth and profitability in assessing company performance. However, the lack of clarity in the classification of receivables impairment charges in *LCKM*'s financial statements makes it difficult to conduct a deeper analysis of the company's financial performance.

Changes in the accounting treatment of impairment charges for receivables at PT Smartfren Telecom Tbk (*FREN*) between 2021 and the following years are also noteworthy. In 2021, *FREN* clearly classified receivables impairment charges as operational expenses. However, in the 2022 and 2023 financial reports, the classification of these expenses became less clear. This inconsistency raises questions regarding the accounting decisions made by *FREN*. Further analysis of *FREN*'s annual reports shows that despite the change in accounting treatment, the company's financial performance targets remain consistent. *FREN* continues to use *EBITDA* as one of its main performance metrics. This consistency suggests that *FREN*'s management remains focused on core operational performance, regardless of shifts in accounting practices.

Another interesting finding in this analysis is the difference in the accounting treatment of impairment charges between PT Telekomunikasi Indonesia Tbk (*TLKM*) and its subsidiary, PT Dayamitra Telekomunikasi (*MTEL*), despite both using *EBITDA* as their main performance metric. *TLKM*, as the parent company, chose not to classify receivables impairment charges as operational expenses, while *MTEL* took the opposite approach by including these expenses under operating costs. Despite these differences, both companies consistently rely on *EBITDA* as a financial performance target.

One possible explanation is that using *EBITDA* as a financial performance target helps minimize the impact of accounting policy differences. Since *EBITDA* is designed to measure core operational performance before being influenced by discretionary accounting decisions—such as expense classification—it provides a relatively stable view of company performance. Therefore, even with different approaches in classifying receivables impairment charges, *EBITDA* remains a reliable metric for assessing the operational efficiency of both *TLKM* and *MTEL*.

Profile Risk

Telecommunications companies have varying risk profiles, depending on the types of services offered, market share, and business strategies adopted. Companies with a high-risk profile tend to experience asset impairments more frequently and may choose to present receivables impairment charges in different categories.

Assets owned by telecommunications companies have different life cycles. Assets with a short economic life tend to depreciate more quickly and may decline in value more frequently. This can influence a company's decision to classify impairment charges on receivables. Some companies may choose to present receivables impairment charges under *other expenses* to smooth out fluctuations in net income from year to year. This may be done to create a more stable impression of company performance. In contrast, other companies may present receivables impairment charges under *operating expenses* to provide a more accurate representation of operational performance.

Potential Issues When *IFRS 18* Comes into Effect

As financial reporting becomes more advanced and complex, several new regulations are emerging to ensure that financial reports remain transparent and reliable for all users. One such regulation is *IFRS 18*, introduced by the *International Accounting Standards Board* (*IASB*) on April 9, 2024. This new standard governs the presentation and disclosure of financial statements and will replace the previously applicable *IAS 1* (*Presentation of Financial Statements*). *IFRS 18* will take effect for annual reporting periods beginning on or after January 1, 2027, with earlier adoption permitted. It provides clearer guidelines on the presentation and disclosure of information related to the impairment of receivables and offers a more structured framework for classifying, presenting, and disclosing financial information, including losses arising from such impairments.

IFRS 18 also introduces new provisions regarding *management-defined performance measures* (*MPM*). *MPM* refers to subtotals of income and expenses that are not specified in *IFRS* accounting standards and are not required to be presented by those standards. However, companies often use *MPMs* in public communications outside financial reports to convey management's perspectives on the company's overall financial performance.

Under *IFRS 18*, companies must disclose all their *MPMs* in a single note to the financial statements. This includes how the *MPM* is calculated, its relevance and usefulness to users, and a reconciliation with the most comparable subtotal required by *IFRS*. By mandating the disclosure of *MPMs*, the standard enhances transparency in financial communication. It also strengthens the effectiveness of communication between companies and financial statement users.

Furthermore, since *MPM* disclosure is now mandatory, it becomes subject to audit. This ensures that *MPMs* are presented accurately and in accordance with applicable accounting principles, thereby increasing users' confidence in the information disclosed.

When analyzing the potential impact of *IFRS 18* on this research, one significant implication lies in the classification and disaggregation of receivables. Impaired receivables will be grouped separately if considered material, allowing users to clearly identify and assess the impact of impairment on company performance. In addition, *IFRS 18* requires that impairment losses be included in subtotals such as *Operating Profit or Loss*, giving a clearer picture of a company's core operating performance.

The standard also places greater emphasis on detailed disclosures. Companies must disclose additional information in the notes to financial statements, such as the accounting policies used to assess impairment, estimation methods applied, and key assumptions underlying impairment loss calculations. This level of transparency enables users to better understand the impairment assessment process and its influencing factors.

The relationship between *IFRS 18* and *MPMs* also deserves attention. If a company uses an *MPM* like "operating profit without impairment loss," the standard requires reconciliation and explanation of how the impairment affects the disclosed profit subtotal. This prevents misleading presentations and ensures a comprehensive view of financial performance.

Lastly, *IFRS 18* affects the presentation of cash flows by eliminating alternative methods for presenting interest and dividends. It ensures that cash flows related to receivables impairment losses are consistently presented under *operating cash flows*. Overall, *IFRS 18* contributes significantly to enhancing the quality and transparency of financial reporting. Its implementation will enable investors, creditors, regulators, and other users to access more relevant and reliable information for economic decision-making.

CONCLUSION

An in-depth analysis of the financial reports of telecommunications subsector companies for the period 2020 to 2023 reveals significant diversity in the practice of presenting impairment charges for receivables. The four main patterns identified indicate that companies have considerable flexibility in classifying receivables impairment charges. These variations in practice have important implications for the transparency of financial reports, performance comparisons between companies, and the quality of decisions made by users of financial information. Inconsistencies in the presentation of impairment charges for receivables can reduce investor and creditor confidence in the financial data presented, thereby potentially influencing investment and financing decision-making.

This research shows that the practice of presenting impairment charges for receivables in telecommunications subsector companies is influenced by various complex factors, including business characteristics, risk profiles, the selection of performance metrics, and the role of auditors. Companies with different risk profiles tend to adopt different accounting practices. Additionally, the choice of performance metrics—such as *EBITDA*—can influence a company's decision to classify receivables impairment charges. These findings highlight the important role of management in making accounting decisions that affect the quality and clarity of financial reporting.

The diversity of practices in presenting impairment charges for receivables within the telecommunications subsector has significant implications for users of financial reports. Investors, creditors, and financial analysts require consistent and comparable information to make informed and rational decisions. Inconsistencies in the presentation of receivables impairment charges can hinder users from accurately assessing financial performance and comparing outcomes across companies. Therefore, efforts to enhance the harmonization of accounting practices within the telecommunications industry are essential.

The classification of impairment charges for receivables also has a nuanced influence on company financial targets and performance assessments. Although, in theory, differences in expense classification can affect various financial ratios and influence strategic decisions, in the context of the telecommunications industry, the impact is less significant than expected. The majority of telecommunications companies studied continue to use *EBITDA* as the primary metric in their financial performance targets, regardless of how impairment charges are classified. This consistent preference suggests that telecommunications companies prioritize core operational performance and consider *EBITDA* the most relevant metric for measuring it.

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