

## THE IMPACT OF NEW FINANCIAL INSTRUMENT AND LEASE ACCOUNTING STANDARD ON FINANCIAL PERFORMANCE OF COMPANIES

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### ABSTRAK

*Tujuan penelitian ini untuk mengkaji pengaruh standar akuntansi baru instrumen keuangan (PSAK 71) dan lease (PSAK 73) terhadap kinerja keuangan dan liabilitas perusahaan tercatat di bursa Indonesia. Dengan menerapkan metode purposive sampling, terpilih 140 perusahaan untuk tahun 2019 dan 2020 sebagai sampel penelitian ini. Data penelitian ini dianalisis menggunakan Paired Sample T-test dan Wilcoxon Signed Ranks Test. Temuan penelitian ini menunjukkan bahwa penerapan PSAK 71 berdampak pada kinerja keuangan (ROE) dan liabilitas (DAR dan DER). Studi ini juga menemukan bahwa standar akuntansi sewa baru berdampak pada kinerja keuangan (ROE dan ROA) dan liabilitas (DAR). Selain itu penelitian ini menemukan bahwa setelah implementasi PSAK 71 akan diikuti oleh penurunan ROE dan DAR dan DER meningkat. Sementara itu, kinerja keuangan perusahaan yang diprosikan oleh ROE dan ROA menurun dan DER meningkat sejak standar akuntansi sewa baru (PSAK 73) yang diterapkan oleh perusahaan terdaftar di bursa Indonesia. Penelitian ini menyimpulkan bahwa standar akuntansi instrumen keuangan baru dan standar akuntansi sewa baru berdampak pada kinerja keuangan dan liabilitas perusahaan terdaftar di bursa Indonesia. Perusahaan yang terdaftar di Indonesia menghadapi kinerja keuangan yang lebih rendah dan pembiayaan liabilitas yang lebih tinggi setelah menerapkan standar akuntansi baru tersebut.*

*Kata kunci: instrumen keuangan, kinerja keuangan, sewa, standar akuntansi.*

### ABSTRACT

The purpose of this study to examine the impact of new accounting standard of financial instrument (PSAK 71) and lease (PSAK 73) on financial performance and liabilities of Indonesia listed companies. By applying the purposive sampling method, 140 companies for 2019 and 2020 were selected as the sample of this study. The data of this study analyzed using Paired Sample T-test and Wilcoxon Signed Ranks Test. The findings of this study show that new financial instrument accounting standard PSAK 71 implementation impact to financial performance (ROE) and liabilities (DAR and DER). This study also found that new lease accounting standard impact to financial performance (ROE and ROA) and liabilities (DAR). Moreover this study found that after implementation of PSAK 71 will be followed by ROE decreasing and DAR and DER increasing. Meanwhile, firm financial performance that proxied by ROE and ROA decrease and DER increase since new lease accounting standard (PSAK 73) implemented by Indonesian listed companies. This study conclude that new financial instrument and lease accounting standard financial performance and liabilities of Indonesian listed companies. Indonesian listed companies deal with lower financial performance and higher liabilities financing after applying those new accounting standard.

Key words: accounting standard, financial instruments, financial performance, lease.

## INTRODUCTION

Financial statement should be prepared using Generally Accepted Accounting Principles (GAAP). In Indonesian context, GAAP or statement of financial accounting standard (PSAK) developed by Indonesian Accounting Institute (IAI). IAI develop PSAK based adoption and convergency approach of international accounting standard. Nowadays, IAI issued the new financial instrument (PSAK 71) and lease (PSAK 73) accounting standard that adopted from IFRS 9 and 16. Those standard should be implemented by Indonesian public listed companies since January 1, 2020.

PSAK 71 is the regulation related to financial instruments that replace PSAK 55. IAI make some changing for financial instrument accounting including: classification and measurement, impairment, and hedging. In PSAK 71, financial assets and liabilities are only classified and measured at amortized acquisition costs, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit and loss. PSAK 71 eliminated the Held to Maturity (HTM) and Available for Sale (AVS) categories. The changes relate to the recording of assets and financial liabilities in the financial position statement that will impact the company's financial performance as measured by profitability and leverage ratios (Ilat et al., 2020).

PSAK 71 established a new approach to loans and receivables, namely the expected credit loss model that focuses on the risk of loans that will default rather than losses that have occurred. So, the company has backing up funds since the beginning of the credit period before the loss of default. The transition from the previous standard. Such changes significantly impact firm financial performance. For example; BNI's Finance Director conclude that capital eviction after the implementation of PSAK 71. Solvency and leverage ratios provide a significant difference effect.

PSAK 71 make the trust more flexible, allowing for more hedging relationships. Hedging accounting will give rise to other comprehensive income. If more hedging relationships, then more and more other comprehensive income appears that causes changes in equity record keeping so that it impacts the firm financial performance.

In the context of lease accounting, PSAK 73 replaces PSAK 30. PSAK 73 strictly classify almost all operating lease into financing leases. This standard introduces a single accounting model in recording lease transactions by the lessee. The lessee classifies lease operations into two categories, namely operating lease and financing lease. PSAK 73 implementation impact assets, liabilities, and equity reporting and firm financial performance. This standard will lead to the capitalization of the majority of current operations for all leases, whereby the lessee does not distinguish between an operating lease and a financing lease (Morales-Díaz and Zamora-Ramírez, 2018; Chung, 2022).

According to Wong and Joshi (2015), the implementation of PSAK 73 substantially impact on the increase in lease that reported in the financial position statement and income statement. Finally there is a change in the firm financial performance and leverage. Wong and Josh found that an increase in the leverage ratio, especially in debt-to-equity ratio (DER). The average DER will increase by 31.69% and the average DAR will increase by 10.11% after implementation of IFRS 16.

Several cases in Indonesian companies have a significant impact due to the adoption of PSAK 71 and 73. For example in the banking industry, BCA reported a very high debt-to-equity and debt asset ratio of 438.5%, after implemented PSAK 71 and 73 so that the firm financial performance is considered not good because of higher risk. After implementing PSAK 71, Bank BCA's capital was eroded. President Director of PT Bank Central Asia Tbk, Jahja Setiaatmadja, conclude that the new policy had an impact on the company's capital. As seen in the financial position statement of Bank BCA,

assets decreased to Rp 4.3 trillion, equity decreased by almost Rp 7 trillion, while liabilities increased to Rp 2.5 trillion. As a result, there is a change in the financial ratio to measure the company's financial performance. Moreover, after the implementation of PSAK 71, ROE decrease from 18% to 16.5% and ROA decrease from 4% to 3.3%.

PSAK 73 has a significant impact on the financial statements of retail, transportation, hotel, and telecommunications companies (Morales-Díaz and Zamora-Ramírez, 2018). Before the implementation of PSAK 73, the financial performance of PT Mitra Adiperkasa Tbk was quite good as measured using the financial ratio of profitability and leverage. The company's ROA is 8.34%, and ROE is 19%, but the leverage ratio figures are slightly high, with DAR 47% and DER 89%. After the implementation of PSAK73, assets increased by almost Rp 4 Trillion, and liabilities that increased to Rp 4.2 Trillion, while equity decreased to Rp 240 billion so that there was a change in the company's financial ratio. After implementing PSAK 73, PT Mitra Adiperkasa Tbk, the profitability ratio decreased. ROA to -3.32% and ROE to -11%, while after the implementation of PSAK 73, DAR and DER of PT Mitra Adiperkasa Tbk increase to 63% and 171% respectively. So, the firm financial performance worsens if the leverage ratio increases and is followed by declining profitability, causing the company to be at a higher risk than before.

Previous research has examined the impact of implementing new standards on a company's financial performance. Wong and Joshi (2015) examined the new standard IFRS 16 (lease capitalization) impacted financial statements and financial ratios at ASX-listed Australian companies. They showed that lease capitalization caused financial ratios such as DER ratio, DAR and ROA ratio to change significantly, DER increased by 31.69% and DAR increased by 10.11%, while ROA decreased dramatically to 15.35%. ROE changes are not too significant, ROE changes are decreased by an average of 1.23% due to lease capitalization. Morales-Díaz and

Zamora-Ramírez (2018) revealed the adoption of IFRS 16 (PSAK 73) had a significant impact on leverage and solvency ratios of 646 European companies. However, they did not find the impact of the regulation on profitability, even ROA households, materials, pharmaceuticals, and media decreased. Bellagdid et al. (2021) revealed that the new IFRS 9 (PSAK 71) standard impacts on leverage and profitability. On average the ROE showed decreased by -0.0074% after firm implemented IFRS 9 (PSAK 71). Safitri et al. (2019) examined the impact of the implementation of PSAK 73 on the financial performance of firms that classified into Manufacturing, Mining, and Services industry. They found after implementing PSAK 73, DAR and DER increase, while ROA and ROE decreased. The industries most affected by the change in financial ratio occurred in the service industry by 233.72%, the aviation industry 6.9%, and the manufacturing industry 3.23%.

Based on the above explanation, it can be seen that the implementation of the new standard can affect a company's financial performance as measured by financial ratios, but there are some contradictions in the results of previous studies, Wong and Joshi (2015) revealed that the implementation of the new standard IFRS 16 (lease capitalization) resulted in a significant difference in ROA, while Morales-Díaz and Zamora-Ramírez (2018) showed that there was no significant difference in ROA due to lease capitalization. Wong and Joshi (2015) also said no significant difference in ROE after lease capitalization. The results of the study of Öztürk (2016), Safitri et al. (2019), Choi and Sooin (2020), Silvana et al. (2020), and Mashuri and Ermaya (2021) revealed that there was a significant difference between ROE before and after the implementation of PSAK 73 (IFRS 16).

This research will examine the implementation of PSAK 71 and 73 in companies listed and listed on the main board of the Indonesia Stock Exchange in 2019-2020. Companies listed on the main board of the

Indonesia Stock Exchange are companies that have a large size, have a good track record, and have operational experience. Companies listed on the main board of the Indonesia Stock Exchange cover all industries so that researchers can find out which sectors whose financial performance has a significant impact after the implementation of PSAK 71 and 73. The results of previous research on average showed that the company's financial performance before the implementation of PSAK 71 and 73 was quite good, but after the implementation of PSAK 71 and 73 the average financial performance of the company became poor because there was an increase in assets and liabilities so that the profitability ratio decreased and leverage increased. So researchers want to know the impact of implementing PSAK 71 and 73 which makes the company's financial performance worse only on specific sectors or has an impact on all sectors.

Morales-Díaz and Zamora-Ramírez (2018) researchers found that the most significant industries affected by PSAK 73 were the retail, hotel, and telecommunications industries. According to Veverková (2019) and Öztürk (2016), the most significant sector affected by PSAK 73 are the aviation industry. According to Safitri et al. (2019) the sector most significantly affected by the implementation of PSAK 73 is the service industry. Therefore, researchers are interested in researching in all industries listed on the main board of the Indonesia Stock Exchange. Some previous studies, especially in Indonesia, have not examined these two standards simultaneously, previous researchers examined the impact of applying this new standard only on one standard and only researched in a few sectors. For example, the implementation of IPSAK 71 only focuses on the banking sector and PSAK 73 only focuses on the aviation sector.

## **LITERATURE REVIEW**

### **Accounting For Financial**

According to Coetsee (2010), normative accounting theory is a theory that deals with

"what accounting should be," which means accounting is considered a norm or rule to be followed. Normative accounting theory is an accounting theory that deals with the differences between different accounting systems and how one system may be better than the others. This theory plays an essential role in the development of accounting because it provides analytical ideas based on assumptions that are realized into proposals with high validity.

Ghozali and Chariri (2022) explained that normative theory provides guidelines on what to do based on considering the values used to formulate the theory. This theory is often referred to as a priori theory, meaning causal or deductive. This normative accounting theory explains what accounting information should be communicated to users of accounting information and how accounting information will be presented. Therefore, normative accounting theory is not aimed at developing theories but instead focuses only on norms.

In the context of normative accounting theory that answers what accounting should be, the rules that must be followed are the preparation of company financial statements. One example is financial reporting standards. Mozes (1992) on normative accounting research mentions that normative accounting theory is relevant to financial reporting standards.

### **Accounting For Financial Instrument**

The study will analyze the impact of PSAK 71 and 73. PASK 71 regulates Financial Instruments adopted from IFRS 9. A financial instrument is an asset of any kind, such as cash, capital documents, and proof of ownership in an entity, cash, or another tradable financial instrument. IAS 32 defines a financial instrument as any contract that causes a financial asset to one entity and a financial liability or equity instrument to another entity. Financial instruments are classified into financial assets, financial liabilities, and equity instruments (IAS 32).

PSAK 71 replaces PSAK 55 with The crucial difference is in classifying financial assets, hedging accounting, and impairment approaches. Classification and measurement require determination on how financial instruments are categorized, determining the different classes that have implications for reporting a company's profits and losses (Becker, 2014).

In PSAK 55, financial asset classification includes Held to Maturity (HTM), Fair Value through Profit/Loss, Loan and Receivables (LR), and Available for Sale (AFS). Meanwhile, PSAK 71 adapts a single classification approach for types of financial assets. There are three main measurements for the category of financial assets in this new standard, namely amortized cost (AC), fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). Financial assets are classified and measured at amortized cost if the criteria are met, i.e., financial assets are held to obtain contractual cash flows, contractual requirements of financial assets that generate cash flows solely from principal and interest payments of the principal amount owed.

Financial assets are classified and measured at fair value through other comprehensive income (FVOCI) with criteria for contractual cash flow assets representing SPPI, assets held to obtain contractual cash flows, and to sell financial assets. Classification of financial assets and measured by fair value through profit or loss (FVTPL) if the asset does not meet ac or FVOCI criteria.

PSAK 71 introduces a new model of impairment, a loss allowance model that recognizes the allowance for the expectation of credit losses on financial instruments before the loss actually occurs or is known as the expected credit loss impairment model. The primary purpose of this new impairment model is to offer users more useful financial statements with more helpful information about a company's expected credit losses on financial instruments.

Under PSAK 71, hedging accounting aims to demonstrate the influence of a

company's risk management activities in its financial statements when a company uses financial instruments to protect the value of risks that could affect the income statement.

The accounting standard regarding previous Financial Instruments, PSAK 55, sets the hedging effectiveness requirement from 80 percent to 125 percent as a qualifying criterion. Unlike PSAK 55, this new hedging accounting model in PSAK 71 significantly loosens the effectiveness test requirements and allows more hedging strategies to be used for risk management to meet hedging accounting requirements.

In PSAK 71, these hedging effectiveness requirements are eliminated and replaced with more general conditions based on management considerations (IAI, 2016). Hedging items and instruments are required to have relationships through lowered economic relationships to offset changes in value, provided that those value changes are not dominated by credit risk. Therefore, the reforms make requirements more flexible and allow more hedging relationships to qualify for hedging accounting.

### **Lease Accounting**

PSAK 73 regulates leases adopted from IFRS 16. A lease is a transaction between a lessor that entitles the use of the property to a third party (lessee) to use the asset within a certain period specified in and then the lessor will get paid. Accounting standards governing leases are evolving dynamically keeping up with the times, regulations, and businesses. The change phase started from PSAK 30 based on rules before January 1, 2012, then changed to PSAK 30 based on principles, and the latest was changed to PSAK 73 which is more rules than principles.

On Sept. 18, 2017, the Financial Accounting Standards Board (IFASB) passed PSAK 73 on Leases. PSAK 73 is the adoption of IFRS 16 Leases. PSAK 73 on Leases establishes the principles of recognition, measurement, presentation, and disclosure of leases. This information provides the basis for users of financial statements to assess the

impact of lease transactions on an entity's financial position, financial performance, and cash flows (IAI, 2017).

The most crucial difference in PSAK 30 and 73 are regarding lease classification. Under ISFAS 30 after the adoption of IFRS, the classification of leases as financing leases and operating leases is based on the substance of the transaction, not on the form of the contract. On-operating leases acknowledge the lease load, while on-lease financing recognizes assets and debts. Unlike PSAK 30 after the adoption of IFRS, in ISFAS 73, the lease classification was tightened. Almost all leases entered the category of financing leases. In terms of the lessee, all leases are financing leases except short-term leases (< 12 months) and low-value assets.

Under PSAK 73, the lessee must recognize the right-to-use lease asset, the right-to-use lease liability, depreciation of the right-to-use lease asset, and the recognition of interest costs. Lessee is not required to distinguish between operating leases and financing leases, a more stringent classification where almost automatically all operating leases will go on financing leases. The lessee will record the entire transaction as a financing lease, except for leases of less than 12 months and low-value underlying assets. So that leases activities will be recorded as assets and liabilities in the financial position statement that cause changes in total assets, equity, and liabilities. Changes in total assets, equity, and liabilities impact financial performance as measured by profitability ratios.

In lease accounting for lessors is not modified because it does not have significant errors, then it is in substance the same as before. The Lessor still classifies the leases to 2 listings differently, but almost all operations in PSAK 30 will be recorded as financing leases in PSAK 73. The change led to the recording of lease accounting as an asset and liability to affect the company's financial performance as measured by the Ratio of profitability and leverage.

### **Financial Performance**

According to Demodaran (2008), financial performance is a measure of efficiency in current asset management and the rate of acquisition of new assets. The financial performance of the company can be seen from how well the company uses its business assets and generates revenue. In this study financial performance was measured by the ratio of profitability and leverage.

### **Profitability Ratio**

Profitability ratios assess a company's ability to gain profits from its sales or operations, balance sheets, or shareholder (Fülbier et al., 2011). Profitability ratios can be compared to efficiency ratios that consider how well a company uses its assets internally to generate revenue.

This study looked at the profitability of companies with two measurements, namely Return on Assets (ROA) and Return on Equity (ROE).

ROA provides information on how much profit is made on average by each unit of an asset (Petersen and Schoeman, 2008). This ratio shows how well a company performance by comparing the net income it generates with the capital invested in assets. The higher return, the more productive and efficient management will be in utilizing economic resources.

ROE is the primary ratio for shareholders because it measures a company's ability to earn a return on its equity investments. ROE is calculated as net income divided by shareholders' equity, can increase without additional equity investment. This ratio can increase due to high net income generated from large assets funded by debt.

### **Solvability Ratio (Leverage)**

Leverage is the ratio used to measure the extent to which a company's assets are financed by corporate debt (Kasmir, 2016). Leverage assesses a company's ability to pay off all of its liabilities, both short-term and long-term liabilities, with a guarantee of

assets or assets held by the company until the company is closed or liquidated.

Leverage compares a company's overall debt burden with its assets or equity. This ratio describes the number of assets a company holds by shareholders compared to assets held by creditors. If shareholders own more of the company's assets, then the company is less leveraged. If the creditor has the dominant asset, then the company has a high level of leverage. This study looked at the leverage of companies with two measurements, namely Debt to Assets (DAR) and Debt to Equity (DER).

According to Gitman and Zutter (2015), DAR is a ratio that shows how many total assets are financed by debt. Lenders usually use it to determine how much the company owes, look at the company's ability to pay down debt, and help make decisions regarding the additional loans to be given to the company. This ratio is also used to ensure a company's solvency, a company's ability to meet current and future obligations, and to earn a return on its investment.

According to Kasmir (2016), DER is a ratio used to determine the ratio of total debt to its own capital. This ratio measures debt seen from the equity the company has. This ratio is an important metric used in a company's finances, which reflects the ability of shareholders' equity to cover all unpaid liabilities in a downturn in the company's business.

### Previous Research

Wong and Joshi (2015) studied the impact of lease capitalization on financial statements and key ratios in 107 Australian companies. They used a constructive lease capitalization method that proved that there was a significant change in ROA and leverage after the lease capitalization. In contrast, on ROE, there was no significant difference due to lease capitalization.

Furthermore, Morales-Díaz and Zamora-Ramírez (2018) also found similar results, using the lease construction capitalization measurement method with hypothe-

sis testing using the Wilcoxon test and different t-test. This study proves that after the implementation of IFRS 16, there are no significant differences in ROA. Still, some sectors have significant differences due to the implementation of IFRS 16. The implementation of IFRS 16 causes a significant difference in leverage.

Then, Öztürk (2016) who only studied airlines in Turkey, also used the same method as Wong and Joshi (2015) with constructive lease capitalization methods but had different results. The researchers found that after the implementation of IFRS 16, there were significant differences in both profitability ratios, namely ROA and ROE.

Silvana et al. (2020) adopted empirical analysis methods that start from case studies, analysis is also based on financial statement data. They found that after the implementation of IFRS 16, there was a significant difference in profitability and leverage ratios.

Bellagdid et al. (2021) used the logic of the reflection model that determines the value of simulations before the implementation of IFRS 9 and actual values after implementation. They found that after the implementation of IFRS 9, there were significant differences in ROE and leverage. The study was conducted at a financial institution in Morocco.

Similar to Wong and Joshi (2015), Öztürk (2016), Veverková (2019) also used the constructive lease capitalization method. Researchers took 15 European airlines as sample of the study. Veverková (2019) found that after the implementation of IFRS, there was a significant difference in financial ratios indicating profitability as measured by ROA and ROE and leverage. The implementation of these IFRS made a significant difference to leverage.

Mashuri and Ermaya (2021) examined companies registered with IDX in 2018-2019 using constructive capitalization methods. The results found that after the implementation of PSAK 73, there was a significant difference in profitability ratios (ROA and ROE) and leverage (DER and DAR).

Hameedi et al. (2021) conducted a study with a sample of 66 Banks listed on the Iraqi Stock Exchange during the three pre-adoption years of IFRS (2011–2013). The study used the K-S sample test, correlation test, R test, and F test. They found that there were significant differences in ROE after the implementation of IFRS. In contrast, in ROA, there were no significant differences after the implementation of IFRS.

Aditya (2021) examined manufactured companies in IDX. They used wilcoxon signed ranks test. The results of the Aditya (2021) research results that are after the implementation of ISFAS 73, there is no a significant difference in ROE, DAR, and DER after implementation PSAK 73.

Safitri et al. (2019) examined the impact of the implementation of PSAK 73 on the financial performance of the manufacturing, mining, and service industries. They found the different between profitability and leverage ratios after the implementation of PSAK 73.

The research methods used by Knežević et al. (2015) examined with case study methods. Knežević et al. (2015) examined on the Banking Industry in Serbia which found that after the implementation of IFRS 9, there were significant differences in ROE and leverage

### **Development of Hypotheses PSAK 71 and Financial Performance**

Normative accounting theory describes the conceptual framework of financial accounting for preparing financial accounting standards. The change in accounting standards on Financial Instruments from PSAK 55 to PSAK 71 is predicted to impact the company's financial performance.

In PSAK 71, there is a new reclassification and measurement for financial assets and liabilities and a decreasing value of financial assets. Some assets are valued at amortization costs that are revalued at a fair value to change the income statement.

The results of previous research conducted by Knežević et al. (2015) and Bellagdid et

al. (2021) proved that after the implementation of IFRS 9 (PSAK 71), there was a significant difference in the company's Financial Performance measured using ROE, LA, and LE. Based on the description above, a hypothesis can be developed:

H<sub>1a</sub> : There is a difference between ROE before and after the implementation of PSAK 71 on Indonesian Companies Listed

H<sub>1b</sub> : There is a difference between DAR before and after the implementation of PSAK 71 on Indonesian Companies Listed

H<sub>1c</sub> : There is a difference between DER before and after the implementation of PSAK 71 on Indonesian Companies Listed

Bellagdid et al. (2021) found that the implementation of IFRS 9 (PSAK 71) had a significant impact on changes in the financial ratio of ROE and leverage in financial institutions in Morocco. In line with Bellagdid, at al. (2021), researchers Knežević, et al. (2015) also found the implementation of IFRS 9 (PSAK 71) had a significant impact on changes in the financial ratio of ROE and leverage in financial institutions in Serbia, especially the banking industry. Based on this description, hypotheses can be developed:

H<sub>2</sub> : The impact of implementing PSAK 71 on financial performance depends on the sector in which the company operates

### **PSAK 73 and Financial Performance**

Normative accounting theory describes the conceptual framework of financial accounting for preparing financial accounting standards. The change in accounting standards on Lease from PSAK 30 to PSAK 73 is predicted to impact the company's financial performance.

PSAK 73 makes changes in the recognition, measurement, presentation, and disclosure of leases that impact lease transactions in the financial statements. The change in



accounting standards requires the company to recognize changes to the structure of financial position statements that give rise to right-to-use assets in asset posts and financing lease liabilities on liabilities resulting in changes in the company's financial performance as measured by financial ratios.

Previous research conducted by Morales-Díaz and Zamora-Ramírez (2018) revealed after the implementation of IFRS 16, there were significant differences in financial performance as measured by leverage, but no significant differences in ROA. Wong and Joshi (2015), Öztürk (2016), Choi and Sooin (2020), Silvana et al. (2020), Mashuri and Ermaya (2021), Safitri et al. (2019), and Veverková (2019) found that after implementation of IFRS 16, there were significant differences in ROA. Then, Öztürk (2016), Silvana et al. (2020), Veverková (2019), Mashuri and Ermaya (2021), Hameedi et al. (2021), Safitri et al. (2019), there were significant differences in ROE. And then, Wong and Joshi (2015), Morales-Díaz and Zamora-Ramírez (2018), Silvana et al. (2020), Veverková (2019), Mashuri and Ermaya (2021), Safitri et al. (2019) found that there were significant differences in LA and LE after implementation the new standard IFRS 16. Therefore the formulation of hypotheses developed is:

H<sub>3a</sub> : There is a difference between ROA before and after the implementation of PSAK 73 on Indonesian Companies Listed

H<sub>3b</sub> : There is a difference between ROE before and after the implementation of PSAK 73 on Indonesian Companies Listed

H<sub>3c</sub> : There is a difference between DAR before and after the implementation of PSAK 73 on Indonesian Companies Listed

H<sub>3d</sub> : There is a difference between DER before and after the implementation of PSAK 73 on Indonesian Companies Listed

Maali (2018) found that IFRS 16 this largely affects different financial ratios,

especially DAR and DER. Morales-Díaz and Zamora-Ramírez (2018) found that the implementation of IFRS 16 (PSAK 73) was most significantly affected in the retail, hotel, and telecommunications industries. According to Veverková (2019) and Öztürk (2016) the most significant impact of the implementation of IFRS 16 (PSAK 73) was shown in the aviation industry. According to Safitri et al. (2019), the industry most significantly affected by the implementation of PSAK 73 is the service industry. Sari, et al. (2016), found that debt-to-equity ratio is significantly affected by lease capitalization. Based on this description, hypotheses can be developed:

H<sub>4</sub> : The impact of implementing PSAK 73 on financial performance depends on the sector in which the company operates

## RESEARCH METHOD

### Research Variables

In this study, the variable of the research is the firm financial performance that referred to profitability and leverage ratios. Profitability is the primary ratio in which performs and results directly affecting the company's continuity (Jan and Marimuthu, 2015). This study looked at the profitability of companies with two ratio measurements, namely: return on asset and return on equity.

Return On Assets (ROA) provides information on how much profit each unit of the asset makes on average (Petersen and Schoeman, 2008). ROA measures how well a company is capable of using its assets to generate profits. So, for profitability ratio calculations using ROA can be calculated with the following formula:

$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Total Assets}}$$

Return on Equity (ROE) measures how well a company's ability to use its own equity or capital to generate profits. So for profitability ratio calculations using ROE can be calculated with the following formula:

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Shareholder's Equity}}$$

Leverage is a ratio that measures how much a company's operations to debt to

finance its operations. Leverage is related to the funding decisions of companies that prefer debt financing over capital owned. This study uses Debt to Assets ratio (DAR) and Debt to Equity Ratio (DER) as the proxies of leverage.

DAR measures how many assets a company has that are financed by liabilities. The leverage formula uses these measurements as follows:

$$\text{Debt to Assets} = \text{Liabilities/Assets}$$

DER assesses the debt health of a company which means assessing the ability of shareholders' equity to cover all unpaid liabilities in the event of a downturn in the company's business. The leverage formula uses these measurements as follows:

$$\text{Debt to Equity} = \text{Liabilities/Equity}$$

### Population and Sampling Methods

The population in this study is all companies listed on the main board of the Indonesia Stock Exchange in 2019-2020 which can be accessed on [www.idx.co.id](http://www.idx.co.id) and [www.sahamok.com](http://www.sahamok.com) sites. The selection of the entire company as a population because researchers want to know which industries have more significant impact due to the implementation of new Financial Accounting Standards issued by the Financial Accounting Standards Board (FASB).

The study sample was selected using a non-probability sampling method which means that the selection of samples is not random with the sampling technique, namely purposive sampling. This sampling technique is based on consideration. The sample selected in this study is companies that implement PSAK 71 and 73 and are listed on the main board of the Indonesia Stock Exchange in 2019-2020, which fall under several criteria. The criteria referred to are as follows: (1) The Company is listed on the main board of the Indonesia Stock Exchange, publishing annual financial statements periodically in 2019-2020 financial reporting ended December 31, (2) The Company listed on the main board of the Indonesia Stock Exchange has implemented

PSAK 71 and 73, and (3) The Company listed on the main board of the Indonesia Stock Exchange disclosed the impact of the implementation of PSAK 71 and 73 in the financial statements.

### Method of Analysis

The analytical methods used in this study are descriptive statistics, normality tests, and hypothesis tests.

### Descriptive Statistics

Descriptive statistics provide information regarding the distribution of selected variables in the study. According to George and Mallery (2016) the information includes a measure of the central tendency (mean, median, mode), variability around the mean (standard deviation, variance), a deviation measure of normality (skewness, kurtosis), information about distribution spread (maximum, minimum, range), and information about the stability of sampling error of a particular size.

Analytical tools used include mean, maximum, minimum, and standard deviation. Mean values are used to know and see the average of the data in question. The maximum value is used to know and see the largest value of the data in question. The minimum value is used to know and see the smallest value of the data in question. Standard deviation to know and see how much data is in question varies from average.

### Normality Test

The normality test is performed to test whether the variable has normal distribution data. Determination of a normally distributed variable or not can be seen through statistical tests, including histogram graph, normal probability plot, and Kolmogorov-Smirnov test (Ghozali, 2013).

The basis of decision-making in the Kolmogorov-Smirnov test is as follows: (1) When  $\text{Asymp. Sig (2-tailed)} > 0.05$ , then  $H_0$  is accepted, meaning normally distributed data and (2) When  $\text{Asymp. Sig (2-tailed)} < 0.05$ , then  $H_0$  is rejected, meaning the distri-

buted data is abnormal. Normally distributed data uses Paired Sample T-test hypothesis testing, while non-distributed data use Wilcoxon Signed-rank Test hypothesis testing.

### Hypothesis Test

Test hypothesis by comparing average profitability and leverage ratios before and after the implementation of PSAK 71 and 73.

### Paired Sample t-Test

Paired sample t-tests are used to compare differences between two populations in sample designs that match the assumption of normally distributed data (Kim et al., 2018). The study compared the company's financial performance before and after the implementation of PSAK 71 and 73, a paired sample t-test to determine if the new standard changes would have a statistical impact on the average. The basis of decision making in the paired sample t-test is as follows (Santoso, 2020): (1) If the *p-value* < 0.05, then the hypothesis (H1a, H1b, H1c, H2, H3a, H3b, H3c, H3b, H4) is accepted, meaning that there is a difference between the financial ratio (ROA, ROE, DAR, and DER) before and after the implementation of PSAK 71 and 73, and (2) If the *p-value* > 0.05, then the hypothesis the hypothesis (H1a, H1b, H1c, H2, H3a, H3b, H3c, H3b, H4) is accepted, meaning that there is no a difference between the financial ratio (ROA, ROE, DAR, and DER) before and after the implementation of PSAK 71 and 73.

The following is a paired sample t-test formula to find comparisons:

$$t = \frac{X_1 - X_2}{\sqrt{\frac{S_1^2}{n_1} + \frac{S_2^2}{n_2} - 2r\left(\frac{S_1}{\sqrt{n_1}}\right)\left(\frac{S_2}{\sqrt{n_2}}\right)}}$$

where:

$n_1$ : number of observation before new PSAK

$n_2$ : number of observation after new PSAK

$X_1$ : mean (ROA, ROE, DAR, DER) before new PSAK

$X_2$  : mean (ROA, ROE, DAR, DER) after new PSAK

$S_1$  : Standard deviation (ROA, ROE, DAR, DER) after new PSAK

$S_2$  : Standard deviation (ROA, ROE, DAR, DER) after new PSAK

$S_{1^2}$  : Variance (ROA, ROE, DAR, DER) after new PSAK

$S_{2^2}$  : Variance (ROA, ROE, DAR, DER) after new PSAK

$r$  : Correlation between (ROA, ROE, DAR, DER) before and after new PSAK

### Wilcoxon Test

The Wilcoxon test is a nonparametric test used to analyze pair data or single-sample data since the data is not normally distributed (Lind et al, 2018). The basis of decision making in the Wilcoxon signed test is as follows: (1) When the probability value of Asym. Sig 2 failed < 0.05, then the hypothesis (H1a, H1b, H1c, H2, H3a, H3b, H3c, H3b, H4) is accepted, meaning accepted, meaning there is a difference between the financial ratio (ROA, ROE, DAR, and DER) before and after the implementation of PSAK 71 and 73 and (2) When the probability values Asym. Sig 2 failed > 0.05, then the hypothesis (H1a, H1b, H1c, H2, H3a, H3b, H3c, H3b, H4) is rejected, meaning that there is no difference between the financial ratio (ROA, ROE, DAR, and DER) before and after the implementation of PSAK 71 and 73.

The formula for finding comparisons using Wilcoxon signed-rank test is as follows:

$$Z = \frac{T - \frac{n(n+1)}{4}}{\sqrt{\frac{n(n+1)(2n+1)}{24}}}$$

where:

Z: Zscore result of Wilcoxon Signed Rank Test calculation

T: Number of positive rankings (ROA, ROE, LA, and LE)

n : Number of samples

## ANALYSIS AND DISCUSSION

### Population and Research Samples

The population in this study is all companies listed on the main board of the Indonesia Stock Exchange in 2019-2020 which can be accessed on [www.idx.co.id](http://www.idx.co.id) and [www.sahamok.com](http://www.sahamok.com) sites. This study sample was selected using a non-probability sampling method which means the selection of samples is not random with the sampling technique that is purposive sampling based on established criteria, then the number of samples in this study is 140 companies. The sample of companies used in this study is presented in Table 1.

**Table 1**  
**Population and Sample**

Sample Creteria	Sample
Companies which available financial statements during 2019-2020	333
Companies have implemented ISFAS 71 and 73.	(174)
Companies disclosed the impact ISFAS 71 and 73	(19)
Companies meet criteria	140

Source: Processed Data

### Descriptive Statistics

Descriptive analysis is carried out to find out the description of the data of each variable studied. This study used descriptive analysis data, namely mean, maximum, minimum, and standard deviation. The variables in the study were financial performance measured using the financial ratios of ROA, ROE, DAR, and DER. The study compared the financial ratios of ROA, ROE, DAR, and DER before and after implementing PSAK 71 and 73.

Based on Table 2, the number of observations in this study was 140 companies that compared financial performance before and after implementing PSAK 71 and 73. The maximum value of ROA before implementing PSAK 73 of 20.6% is owned by The Selamat Sempurna Tbk (SMSM), which means the company's financial performance as measured by ROA before the implementation of PSAK 73 is good enough. The total assets used by the company can provide a profit of 20.6%. Meanwhile, the minimum value before implementing PSAK 73-58.3% is owned by Bakrie Sumatra Plantations Tbk (UNSP), which means the company's financial performance as measured by ROA before the implementation of PSAK 73 is inferior. The total assets used by the company made a loss to the company of -58.3%.

**Table 2**  
**Descriptive Statistics**

Variable	Min	Max	Mean	Std. Dev
ROAB 71 & 73	-0,583	0,206	0,027	0,075
ROEB 71&73	-3,951	0,898	0,035	0,382
DARB 71&73	0,001	6,018	0,614	0,520
DERB 71&73	-2,542	35,466	2,476	3,596
ROEA 71	-5,831	0,334	-0,053	0,607
DARA 71	0,002	6,058	0,620	0,525
DERA 71	-2,305	44,206	2,640	4,278
ROAA 73	-0,414	0,232	0,014	0,074
ROEA 73	-8,274	0,326	-0,040	0,722
DARA 73	0,001	5,885	0,616	0,509
DERA 73	-2,545	17,602	2,435	2,707

Source: Processed Data

After implementing PSAK 73, the maximum value of ROA increased to 23.2% owned by Satyamitra Kemas Lestari Tbk (SMKL) company due to the increase in total assets and net income due to the implementation of PSAK 73. So that the company's financial performance becomes better than before marked by the company's ROA Satyamitra Kemas Lestari Tbk (SMKL) increased to 23.2%, meaning that the total assets owned by the company can generate a profit of 23.2%. The value of minimum ROA after implementing PSAK 73 to -41.4% owned by Garuda Maintenance Facility Ae (GMFI). The ROA value indicates a negative value which means the company suffers a loss. However, when compared to the minimum ROA value before implementing ISFAS 73, the value of ROA minimum after implementation is classified as better than before.

The maximum ROE value before the implementation of PSAK 71 and 73 is 89.8%, owned by Bakrie Sumatera Plantations Tbk (UNSP). The financial performance of Bakrie Sumatra Plantations Tbk (UNSP) is considered very good because it can generate a profit of 89.8% of the total equity held. While the minimum value of ROE before implementing PSAK 71 and 73, which is -39.51% owned by Acset Indonusa Tbk (ACST), means that the company suffered losses because ROE showed a negative value.

After implementing PSAK 71 and 73, the maximum value of ROE became 33.4% and 32.6% owned by Sarana Menara Nusantara Tbk (TOWR). There was a decrease in equity due to the implementation of PSAK 71 and 73, so the maximum value of ROE to 33.4% and 32.6%. But the company's financial performance is still relatively good because it can generate profits of 33.4% and 32.6% of the total equity owned by the company. While the minimum value after implementing PSAK 71 and 73 is owned by Acset Indonusa Tbk (ACST) company of -58.31% and -82.74%, which means the company's losses are increasingly high, soaring judging by ROE which shows negative values.

Furthermore, the maximum value of DAR before the implementation of PSAK 71 and 73 is 60.18% owned by Satyamitra Kemas Lestari Tbk (SMKL). This company is considered to have a high risk. The higher the value of leverage, the higher the risk of default to creditors so that the company's financial performance is considered not good. While the minimum value of DAR before the implementation of PSAK 71 and 73 is 0.1% owned by The Alamasari Industries Industry Industry (IKAI) company means that the company's performance is excellent because the total assets of the company are greater than the total debt of the company so that the company can pay the debt using company assets.

After the implementation of PSAK 71 and 73, the maximum value of DAR to 60.58% and 58.85% owned by Satyamitra Kemas Lestari Tbk (SMKL), there is a few difference in the value of LA ratio before and after the implementation of PSAK 71 and 73, but the company's financial performance is still relatively not good because it has a high risk of default, while the minimum value of DAR after the implementation of PSAK 71 and 73 is also not much different from before the implementation of PSAK 71 and 73 which is 0.2%. and 0.1% owned by Intikeramik Alamasari Industri (IKAI).

The results of the last descriptive analysis of DER ratio with maximum value before implementing PSAK 71 and 73 are 3546.6% owned by Acset Indonusa Tbk (ACST). The company's financial performance as measured by the DER ratio is not good because the percentage of DER reaches 3546.6% which means the company has a very high risk of default. The company's equity is unable to pay the company's debt, so the company's performance is considered not good. While the minimum LE value before implementing PSAK 71 and 73 is -2542% owned by Bakrie Sumatra Plantations Tbk (UNSP). The company's excellent performance is characterized by the value of the LE minus ratio, meaning that the company has no debt and its equity value is high.

After implementing PSAK 71 the maximum DER value becomes 4420.6% owned by Acset Indonusa Tbk (ACST). This maximum value increased from before the implementation, meaning that after implementing PSAK 71 the company's financial performance as measured by DER became worse than before as debt increased. After implementing PSAK 73 the maximum DER value becomes 1760.2% owned by Garuda Indonesia Tbk (GIAA). The financial performance is still classified as not good because it has a high risk of default, but after implementing PSAK 73 the ratio decreased to 1760.2%. While the minimum DER value after implementing ISFAS 71 and 73 is owned by Bakrie Sumatra Plantations Tbk (UNSP) company of -230.5% and -254.5%. The company's excellent performance is characterized by the value of the DER minus ratio, meaning that the company has no debt and its equity value is high.

**Test of Normality**

The normality test is done to test whether the variable has normal distribution data or not (Ghozali, 2013). In this study, the normality test used was the Kolmogorov-Smirnov test by looking at the value of Asymp. Sig (2-tailed) with a probability of 0.05. If the value of Asymp. Sig (2-tailed) is greater than 0.05 then normal distributed data. If it's an Asymp value. Sig (2-tailed) is smaller than 0.05, so distributed data is abnormal. If both groups to be compared have normally distributed data, then use parametric analysis paired sample t-test (P-test), but if one or both groups do not have normal distributed data, then use non-

parametric analysis Wilcoxon signed-rank test (W-test).

Based on table 3, the variable ROA before and after implementing PSAK 73 distributed normally with Sig. value 0.056 > 0.05 and Sig. value 0.067 > 0.05. The hypothesis test uses paired sample t-test. Furthermore, those who use the paired-sample t-test are DAR with a value before the implementation of Sig. value 0.090 > 0.05, after the implementation of PSAK 71 Sig. value 0.089 > 0.05, and after the implementation of PSAK 73 Sig. value 0.090 > 0.05. That means that ROA and DAR have data groups that are all normally distributed.

While, based on table 3, ROE and DER before and after implementing PSAK 71 and 73 use the Wilcoxon sign rank test because one or both groups that will be compared have data that is not normally distributed. Sig. value < 0.05, ROE before implementation Sig. value 0.045, after the implementation of PSAK 71 Sig. value 0.006, and after PSAK 73 sig.0.078 value, which means the data is not distributed normally because one of the groups to be compared is not distributed normally. Furthermore, DER before implementation Sig.value 0.005, after the implementation of PSAK 71 Sig. value 0.90, and after the implementation of PSAK 73 Sig. value 0.100, which means the data is not normally distributed because one of the groups to be compared is not normally distributed. However, since the sample is more than 30 (n ≥30), the distribution of the sample is considered normal. So, the ROE and DER hypothesis test used the Paired sample t-test and Wilcoxon signed ranks test.

**Table 3**  
**Normality Test Results**

Var	Before 71	After 71	Before 73	After 73	Data analysis
ROA	NA	NA	.056	.067	t-test
ROE	.045	.006	.045	.078	t-test & W-test
DAR	.090	.089	.090	.090	t-test
DER	005	.090	.005	.100	t-test \$ W test

Source: Processed Data

### Hypothesis Testing

The study used hypothesis testing with two approaches, paired sample t-test for normal distributed data and Wilcoxon signed ranks test for non-normal distributed data. Table 4 shows that significance value of paired t-test and Wilcoxon sign ranked test is lower than 0.05, so hypothesis 1a, 1b, and 1c of this study accepted. It means there are the difference between ROE, DAR, and DER of Indonesian public listed companies before and after implementation of PSAK 71.

Hypothesis 2 testing for data per sector uses two approaches, paired-sample t-test for normal distributed data per sector and Wilcoxon signed ranks test for data per sector that is not normally distributed. Hypothesis testing results per sector comparison of financial performance as measured by ROE, DAR, DER before and after the implementation of PSAK 71 can be seen in table 5.

Based on table 5, the sectors that most impact the implementation of PSAK 71 to financial performance are measured by the financial ratio of ROE, DAR, and DER are the financials and infrastructures sector. The financial sector gets a ROE Sig. value  $0.003 < \alpha (0.05)$ , DAR Sig. value  $0.000 < \alpha (0.05)$ , and DER Sig. value  $0.008 < \alpha (0.05)$ . The infrastructure sector gets a ROE Sig. value  $0.012 < \alpha (0.05)$ , DAR Sig. value  $0.003 < \alpha (0.05)$ , and DER Sig. value  $0.000 < \alpha (0.05)$ , there is a difference between ROE, DAR, and DER before and after the implementation of PSAK 71 in the financials and infrastructure sector. While, in the consumer cyclical sector, industrials, and properties and real estate only have an impact on financial performance as measured by ROE. H2 is accepted, which means the impact of implementing PSAK 71 on financial performance depends on the sector in which the company operates.

**Table 4**  
**Hypothesis Test Results**

Variable	Mean	t	Sig	Z	Sig	Conclusion
ROE Before vs ROE After 71	0,088	2,612	0,01	4,734 <sup>b</sup>	0,000	H1a is accepted
DAR Before vs DAR After 71	0,006	3,545	0,001	NA	NA	H1b is accepted
DER Before vs DER After 71	-0,163	-2,342	0,021	-6,700 <sup>c</sup>	0,000	H1c is accepted

Source: Processed Data

**Table 5**  
**Hypothesis Testing Results Per Sector**

Sector	ROE before vs after 71	DAR before vs after 71	DER before vs after 71
	Asymp. Sig. (2-tailed)		
Basic Materials	0,768	0,103	0,107
Consumer Cyclical	0,034	0,744	0,075
Consumer Non Cyclical	0,155	0,085	0,329
Energy	0,538	0,412	0,376
Financials	0,003	0,000	0,008
Health care	0,571	0,117	0,152
Industrials	0,027	0,966	0,353
Infrastructure	0,012	0,003	0,000
Properties & real Estate	0,028	0,329	0,176

Source: Processed Data

**Table 6**  
**Hypothesis Test Results Using Paired Sample t-test**

Variable	Mean	t	Sig.	Conclusion
ROAB vs - ROAA73	0,014	2,105	0,037	H3.a is accepted
ROEB - ROEA73	0,076	2,167	0,032	H3.b is accepted
DARB - DARA 73	-0,002	-0,304	0,761	H3.c is rejected
DERB - DERA 73	0,042	0,222	0,825	H3.d is rejected

Source: Processed Data

**Table 7**  
**Hypothesis Test Results Using Wilcoxon Signed Ranks Test**

Variable	Z	Sig.	Conclusion
ROE before - ROE after PSAK73	-4,681	0,000	H3.b is accepted
DER before - DER after PSAK73	-7,514	0,000	H3.d is accepted

Source: Processed Data

**Table 8**  
**Hypothesis Testing Results Per Sector ROA, ROE, LA, LE Before and After Implementation PSAK 73**

SECTOR	ROA before vs after 73	ROE before vs after 73	DAR before vs after 73	DER before vs after 73
	Asymp. Sig. (2-tailed)			
Basic Matarials	0,985	0,876	0,026	0,000
Consumet Cyclicals	0,017	0,034	0,221	0,033
Consumet Non-Cyclicals	0,518	0,155	0,288	0,171
Energy	0,707	0,543	0,031	0,019
Financials	0,001	0,002	0,001	0,000
Health care	0,600	0,611	0,440	0,628
Industrials	0,004	0,027	0,001	0,006
Infrastructure	0,019	0,016	0,719	0,077
Properties & real Estate	0,027	0,028	0,405	0,655
Technology	0,350	0,320	0,580	0,427

Source: Processed Data

Based on table 6, the results show that ROA before PASK 73 compared to ROA after PSAK 73 indicates Sig. value 0.037 < alpha 0.05, then H3.a is accepted.

Table 6 also shows that ROE before PSAK 73 compared to ROE after PSAK 73 indicates Sig. value 0.032 < alpha 0.05, then H3.b is accepted.

In the context of leverage, the results show that DAR before PSAK 73 compared to DAR after PSAK 73 indicates Sig. value 0.761 > 0.05, then H3.c is rejected. DAR before

PSAK 73 compared to LE after PSAK 73 indicates Sig. value 0.825 > 0.05, then H3.d is rejected.

Based on table 7, the results show that ROE before PSAK 73 compared to ROE after PSAK 73 indicates Sig. value. 0.000 < 0.05, then H3.2 is accepted. Based on table 7, the result is Sig. value. 0.000 < 0.05. There are differences in the paired-sample t-test results and Wilcoxon signed ranks test result on different DER tests before and after PSAK 73. The results used in this study are the results



of the Wilcoxon signed ranks test because the distributed DE data is not normal. DER before PSAK 73 compared to DER after PSAK 73 Sig. value.  $0.000 < 0.05$ , then H3.d is accepted.

Hypothesis 4 testing for data per sector uses two approaches, Paired-sample t-test for normal distributed data per sector and Wilcoxon signed ranks test for data per sector that is not normally distributed. Hypothesis testing results per sector comparison of financial performance as measured by ROA, ROE, DAR, DER before and after the implementation of PSAK 73 can be seen in table 8

Based on table 8, the sectors that most impact the implementation of PSAK 73 to financial performance as measured by the financial ratio of ROA, ROE, DAR, and DER are the financials and industrials sectors. The financial sector gets a ROA Sig. value  $0.001 < \alpha (0.05)$ , ROE Sig. value  $0.002 < \alpha (0.05)$ , LA Sig. value  $0.001 < \alpha (0.05)$ , and LE Sig. value  $0.000 < \alpha (0.05)$ . The industrial sector gets a ROA Sig. value  $0.004 < \alpha (0.05)$ , ROE Sig. value  $0.027 < \alpha (0.05)$ , Sig. value  $0.001 < \alpha (0.05)$ , and LE Sig. value  $0.006 < \alpha (0.05)$ , there is a difference between ROA, ROE, DAR, and DER before and after implementing PSAK 73 in the financials and industrials sector. As for the basic materials and energy sectors, impact financial performance as measured by DAR and DER. The consumer cyclical sector impacts financial performance as measured by ROA, ROE, and DER. And the infrastructure, properties and real estate sectors only impact financial performance as measured by ROA and ROE. From this explanation, it can be concluded that H4 is accepted, which means the impact of PSAK 73 on financial performance depends on the sector in which the company operates.

## Discussion

### Impact PSAK 71 to ROE

This study found, there is a difference between ROE before and after the implementation of PSAK 71 in companies listed on the

main board of the Indonesia Stock Exchange in 2019-2020. More over, this study indicates the average ROE after the implementation of PSAK 71 decreased to -5.267%. its means after the implementation of PSAK 71 the financial performance of the company decreased.

The research is in line with normative accounting theory relating to the differences between different accounting systems in this case, the new financial accounting standard PSAK 71 on Financial Instruments is different from the previous standard that made changes to the company's total equity and net income. In normative accounting theory explaining how accounting is practiced, the company applies PSAK 71 will be an impact will impact the company's financial performance as measured by ROE.

This finding also align with Bellagdid et al. (2021) and Knežević et al. (2015) who found there are differences in ROE before and after the implementation of PSAK 71.

### Impact PSAK 71 to DAR

This study found, there is a difference between DAR before and after the implementation of PSAK 71. DAR after the implementation of PSAK 71 increased from 61% to 62%. Its means on average Indonesian listed companies deal with higher risk of default because the assets are insufficient to pay the company's debt due to the implementation of PSAK 71 so that the company's financial performance decreased.

The research aligns with normative accounting theory relating to the differences between different accounting systems. In this case, the new financial accounting standards that are PSAK 71 on Financial Instruments are different from previous standards so that changes occur in the company's total debt and total assets. In normative accounting theory explaining how accounting is practiced, therefore the company applies PSAK 71 will impact the company's financial performance as measured by DAR.

The results of the study in line with the results of the research Bellagdid et al. (2021)

and Knežević et al. (2015) who found that there is a difference in leverage before and after the implementation of PSAK 71.

### **Impact PSAK 71 to DER**

This study found, there is a difference in DER before and after the implementation of PSAK 71. More over, this study indicates the average DER after the implementation of PSAK 71 decreased from 247% to 243%. Although slightly decreased after the implementation of DER 71, the average company sampled still has a high risk of default because equity is not enough to pay the company's debt due to the implementation of DER 71, so the company's financial performance is bad.

The research is in line with normative accounting theory relating to the differences between different accounting systems. In this case, the new financial accounting standards PSAK 71 on financial instruments are different from the previous standards so that there is a change in the total debt and total equity of the company. In normative accounting theory explaining how accounting is practiced, the company applies PSAK 71 will impact the company's financial performance as measured by DER. This finding supported Bellagdid et al. (2021) and Knežević et al. (2015), who concluded that there is a difference in leverage before and after the implementation of PSAK 71.

### **Impact PSAK 71 to Industrial Performance**

In the basic materials sector, there is no difference in ROE, DAR, and DER before and after the implementation of PSAK 71 due to a balanced increase between net income, assets, equity, and liabilities. That is, after the implementation of PSAK 71, the average financial performance of companies in the basic materials sector is still the same as before implementing PSAK 71. Financial performance measured using ROE is quite good, and financial performance as measured by DAR, DER remains not good, companies have a high risk of default because the

company's assets and equity are not enough to pay down debt.

Furthermore, in the consumer cyclical sector, there is a difference in ROE before and after the implementation of PSAK 71. The average ROE after the implementation of PSAK 71 decreased from 3.4% to -6.8%, but for the leverage ratio, there is no difference in DAR, DER before and after the implementation of PSAK 71. The DAR, DER average was still the same as before the implementation of PSAK 71, the average financial performance of consumer cyclical sector companies as measured by ROE is decreased. Financial performance as measured by DAR, DER remains not good, companies have a high risk of default because the company's equity is not enough to pay the debt. After the implementation of PSAK 71 as measured by DAR, the company's financial performance is still bad.

In the consumer non-cyclical sector, there is no difference in ROE, DAR, DER before and after the implementation of PSAK 71 in non-cyclical consumer sector companies listed on the main board of the Indonesia Stock Exchange in 2019-2020 because there is a balanced increase between net income, assets, equity, and liabilities tends to be unchanged. The average financial performance of non-cyclical consumer sector companies as measured by ROE, DAR, DER is still the same as before implementing PSAK 71. Financial performance measured using ROE is quite good, and financial performance as measured by DAR, DER remains not good, companies have a high risk of default because the company's equity is not enough to pay down debt. After the implementation of PSAK 71 as measured by DAR, DER the company's financial performance is still bad.

In the energy sector, there is no difference in ROE, DAR, and DER before and after the implementation of PSAK 71 in energy sector companies listed on the main board of the Indonesia Stock Exchange in 2019-2020 because there is a balanced increase between the value of net income, assets,

equity, and liabilities tend not to change. The average financial performance of energy sector companies measured by as measured by ROE, DAR, DER is still the same as before implementing PSAK 71. Financial performance measured using ROE is quite good, and financial performance as measured by DAR, DER remains not good, companies has a high risk of default because the company's equity is not enough to pay down debt.

Then, in the financials sector, there is a difference between ROE, DAR, and DER before and after the implementation of PSAK 71 in financial sector companies listed on the main board of the Indonesia Stock Exchange in 2019-2020 due to changes in the value of net income, assets, equity, and liabilities due to the implementation of PSAK 71. The average ROE after the implementation of PSAK 71 decreased from 7.5% to 3.3%, the DAR average from 76% to 77%, and the average DER from 482% to 503%, which means the financial performance of the financial sector after the implementation of PSAK 71 is decreased and debt increased. Companies have an increased risk of default because assets and equity are not enough to pay down debt.

In the healthcare sector, there is no difference in ROE, DAR, and DER before and after the implementation of PSAK 71 in healthcare sector companies listed on the main board of the Indonesia Stock Exchange in 2019-2020 due to a balanced increase between the value of net income, assets, equity, and liabilities after the implementation of PSAK 71. The average financial performance of healthcare sector companies as measured by ROE is still better. Financial performance as measured by DAR and DER still getting worse. Companies have a high risk of default because the company's assets and equity are not enough to pay down debt.

Furthermore, in the industrial sector, there is a difference in ROE before and after the implementation of PSAK 71, but for the leverage ratio, there is no difference between DAR, DER before and after the implementation of PSAK 71. The average ROE after the

implementation of PSAK 71 decreased from 14% to 0.3%, the DAR, DER average was still the same as before the implementation of PSAK 71. Which means after the implementation of PSAK 71, the average financial performance of industrial sector companies as measured by ROE decreased because the average company experienced a very drastic decline in profit. After the implementation of PSAK 71 as measured by DAR, DER, the company's financial performance is still bad. Companies have a high risk of default because the company's equity is not enough to pay down debt.

Then, in the infrastructures sector there are differences in ROE, DAR, and DER before and after the implementation of PSAK 71 in infrastructure sector companies listed on the main board of the Indonesia Stock Exchange in 2019-2020 due to changes in the value of net income, assets, equity, and liabilities due to the implementation of PSAK 71. The average ROE after the implementation of PSAK 71 from -107% to -316%, the DAR average from 56% to 57%, and the DER average from 321% to 369% which means the financial performance of the infrastructure sector after the implementation of PSAK 71 is decreased marked by the company experiencing losses and debt increasing. Companies have an increasing risk of default because assets and equity are not enough to pay down debt.

The property and real estate sector has no difference between ROE, DAR, DER before and after the implementation of PSAK 71 in the properties and real estate sector companies listed on the main board of the Indonesia Stock Exchange in 2019-2020 due to a balanced increase between asset values, equity, and liabilities in the sector. Which means the financial performance of the properties and real estate sector after the implementation of PSAK 71 is still bad. Companies have a high risk of default because assets and equity are not enough to pay down debt.

Then, in the technology sector, there is no difference in ROE, DAR, and DER before

and after the implementation of PSAK 71 in technology sector companies listed on the main board of the Indonesia Stock Exchange in 2019-2020 because there is a balanced increase between the value of net income, assets, equity, and liabilities tend not to change. Which means the average financial performance of technology sector companies after the implementation of PSAK 71 as measured by ROE is still good. However, the company's financial performance measured by DAR and DER was still bad as before. Technology sector companies have a high risk of default because assets and equity are not enough to pay down the company's debt.

For the transportation and logistic sector the data is not enough for the test per sector so it is not included in the test per sector. From the above discussion it can be concluded that the implementation of PSAK 71 on financial performance (ROE, DAR, DER) depends on the sector the company operates. The sectors affected by the implementation of PSAK 71 to financial performance as measured by ROE, DAR, and DER are the financials, infrastructure sectors. Then the sectors affected by the implementation of PSAK 71 to financial performance are only measured by ROE, namely the consumer cyclicals sector and the properties and real estate sector. As for the basic materials sector, consumer non cyclicals, energy, healthcare, and technology hypothesis test results showed that there was no difference in ROE, DAR, DER before and after the implementation of PSAK 71.

The research is in line with normative accounting theory relating to the differences between different accounting systems in this case the new financial accounting standards PSAK 71 on financial instruments are different from the previous standards. The existence of classification of financial assets, impairment, hedging accounting that makes changes to the recording of assets, equity, and liabilities of the company. In normative accounting theory explaining how accounting is practiced, the company applies PSAK 71 will be changes in the

recording of the company's net income, assets, equity and liabilities, impacting the company's financial performance as measured by ROE, DAR, and DER.

The study results is in line with the Morales-Díaz and Zamora-Ramírez (2018) research which concluded that the impact of implementing PSAK 71 depends on the sector the company is operating in.

### **Impact PSAK 73 to ROA**

There is a difference between ROA before and after the implementation of PSAK 73 companies listed on the main board of the Indonesia Stock Exchange in 2019-2020. The average ROA after the implementation of ISFAS 73 is from 2.7% to 1.3%, which means after the implementation of PSAK 73, the average financial performance of the company decreased.

The research is in line with normative accounting theory relating to the differences between different accounting systems. In this case, the new financial accounting standard PSAK 73 on Lease is different from the previous rental standard, which made changes to the company's total assets and net income. In normative accounting theory explaining how accounting is practiced, the company applies PSAK will impact the company's financial performance as measured by ROA.

This finding is in line with the results of the study of Öztürk (2016), Wong and Joshi (2015), Mashuri and Ermaya (2021), Silvana et al., (2020), Veverková (2019) and Safitri et al. (2019) who found that there are differences in ROA before and after the implementation of PSAK 73 (IFRS 16).

### **Impact PSAK 73 to ROE**

There is a difference in ROE before and after the implementation of PSAK 73 in companies listed on the main board of the Indonesia Stock Exchange in 2019-2020. The average ROE after the implementation of PSAK 73 is from 3.5% to -4%, which means there is an average financial performance of

the company after the implementation of PSAK 73 is decreased.

In line with normative accounting theory relating to the differences between the different accounting systems in this study, the new financial accounting standards of PSAK 73 on Lease differ from previous rental standards, which changed the company's total equity and net income. In normative accounting theory explaining how accounting is practiced, therefore the company applies PSAK 73 will have an impact on the company's financial performance as measured by ROE because there are changes in the company's equity and net income.

The results of the study is in line with the results of research Hameedi et al. (2021), Morales-Díaz and Zamora-Ramírez (2018), Öztürk (2016), Mashuri and Ermaya (2021), Silvana et al., (2020), Veverková (2019) and Safitri et al. (2019) who found that there are differences in ROE before and after the implementation of PSAK 73 (IFRS 16).

#### **Impact PSAK 73 to DAR**

There is no difference between DAR before and after the implementation of PSAK 73 to companies listed on the main board of the Indonesia Stock Exchange in 2019-2020 due to no significant increase followed by a balanced increase between liabilities and assets in the sample company after the implementation of PSAK 73. The average LA after the implementation of PSAK 73 is not much different from before the implementation of PSAK 73 which only 61.4% to 61.5% which means there is no significant change la after the implementation of PSAK 73. The company's financial performance as measured by DAR is still bad. Companies have a high risk of default because the liabilities are greater than the assets held.

The research aligns with normative accounting theories relating to differences between different accounting systems. PSAK 73 on Leases that come into effect on January 1, 2020, is certainly different from the previous rental financial accounting standards. The existence of several changes such as the

classification of leases that mostly become financing leases, will affect the recording of assets and liabilities of the company, which causes differences in financial performance measured by DAR before and after the implementation of ISFAS 73. The phenomenon is in accordance with the nature of normative accounting theory, namely a priori meaning causation. The implementation of ISFAS 73 to the company, it will have an impact on the company's financial performance as measured by DAR.

From the results of the study, we can also see the results of previous research in line with the results of Aditya (2021) which says that there is no difference in leverage before and after the implementation of ISFAS 73 (IFRS 16).

#### **Impact PSAK 73 to DER**

There is a difference between DER before and after the implementation of PSAK 73 in companies listed on the main board of the Indonesia Stock Exchange in 2019-2020. The average DER after the implementation of PSAK 73 decreased from 247% to 243%. Although there is a decrease in LE numbers, financial performance measured by LE after the implementation of PSAK 73 is still relatively bad because the company has a very high risk of default.

The research is in line with normative accounting theory relating to the differences between different accounting systems. In this case, the new financial accounting standard, PSAK 73 on Lease, is certainly different from the previous lease standard. In PSAK 73, there is a change in the classification of leases where most leases become financing leases so that it will affect the recording of the company's equity and liabilities and impact the company's financial performance as measured by DER. The phenomenon is in accordance with the nature of normative accounting theory, namely a priori meaning causation. The implementation of PSAK 73 to the company, it will impact the company's financial performance as measured by DER.

This finding is in line, namely the results of Mashuri and Ermaya (2021), Morales-Díaz and Zamora-Ramírez (2018), Silvana et al. (2020), Veverková (2019), Wong and Joshi (2015) and Safitri et al., (2019) who found that there was a difference in leverage before and after the implementation of PSAK 73.

### **Impact PSAK 73 to Industrial performance**

In the basic materials sector, there is a difference between DAR & DER before and after the implementation of PSAK 73. The DAR average remained 73% and the average DER from 154% to 157%, but in the profitability ratio, there is no difference between ROA and ROE before and after the implementation of PSAK 73 due to a balanced increase between net income, assets, equity. Which means after the implementation of PSAK 73, debt increased so the average financial performance of basic materials sector companies measured by DAR, DER decreased, companies have an increased risk of default because the company's assets and equity are not sufficient to pay down debt. Financial performance as measured by ROE, ROA are same like before.

Furthermore, in the consumer cyclicals sector, there are differences in ROA, ROE, and DER before and after the implementation of PSAK 73. The average ROA after the implementation of PSAK 73 decreased from 3.4% to -0.9%, the average ROE after the implementation of PSAK 73 decreased from 3.4% to -6.5%, and the average DER increased from 172% to 179% which means after the implementation of PSAK 73. While, there is no difference DAR before and after the implementation of PSAK 73 because there is a balanced increase between the value of assets and liabilities in this sector. The average financial performance of consumer sector companies cyclicals measured by ROA, ROE, DER are decreased, characterized by the company experiencing losses due to the profitability ratio being minus. In addition, companies have an increasing risk of default because the company's equity assets are not enough to pay down debt.

In the consumer non-cyclicals sector there is no difference in ROA, ROE, DAR, and DER before and after the implementation of PSAK 73 in non-cyclicals consumer sector companies listed on the main board of the Indonesia Stock Exchange in 2019-2020 due to a balanced increase between net profit values, assets, equity, and liabilities tend not to change. The average financial performance of companies in the consumer non-cyclicals sector is still the same as before implementing PSAK 73. Financial performance measured using ROA, ROE are quite good, and financial performance as measured by DAR, DER remains not good. Companies have an increasingly higher risk of default because the company's equity is not enough to pay down debt.

In the energy sector, there is a difference between DAR, DER before and after the implementation of PSAK 73. The DAR average from 52% to 53% and the LE average from 145% to 151%, which means after the implementation of PSAK 73, but on profitability ratio, there is no difference between ROA, ROE before and after the implementation of PSAK 73. The financial performance of companies as measured by DAR and DER is decreased. Companies have an increased risk of default because the company's assets and equity are not enough to pay down debt.

Then, in the financial sector, there is a difference in ROE, DAR, and DER before and after the implementation of PSAK 73 in financial sector companies listed on the main board of the Indonesia Stock Exchange in 2019-2020 due to changes in net income values, assets, equity, and liabilities resulting from the implementation of PSAK 73. The average ROA after the implementation of PSAK 73 decreased from 1.7% to 1%, the average ROE also decreased from 4.8% to 3.2%, the DAR average from 52% to 53%, and the average DER from 145% to 151%, which means the financial performance of the financial sector after the implementation of PSAK 73 as measured by ROA, ROE, DAR, and DER decreased.

In the healthcare sector, there is no difference in ROA, ROE, DAR, and DER before and after the implementation of PSAK 73 in healthcare sector companies listed on the main board of the Indonesia Stock Exchange in 2019-2020 due to a balanced increase between net profit values, assets, equity, and liabilities after the implementation of PSAK 73. The average financial performance of companies in the healthcare sector is still the same as before implementing PSAK 73.

Furthermore, in the industrial sector, there is a difference between the value of ROA, ROE, DAR, and DER before and after the implementation of PSAK 73 in industrial sector companies listed on the main board of the Indonesia Stock Exchange in 2019-2020 due to the increase between asset values, equity, and liabilities in this sector after the implementation of PSAK 73. The average ROA after the implementation of PSAK 73 decreased from 7.9% to 1.4%, the average ROE also decreased from 14% to 0.9%, the DAR average increased from 53% to 55%, and the average DER increased from 120% to 126% which means after the implementation of PSAK 73, the average financial performance of industrial sector companies as measured by ROA and ROE decrease in profit from assets and equity. The financial performance measured by DER and DAR is decreased, companies have an increasing risk of default because the company's assets and equity are not enough to pay down debt.

Then, in the infrastructure sector, there is a difference between ROA, ROE before and after the implementation of PSAK 73 in the infrastructure sector. The average ROA after the implementation of PSAK 73 decreased from 3.1% to -1.3%, the average ROE from -10.7% to -42%. While, as measured by the ratio of leverage, there was no difference in DAR, DER before and after the implementation of PSAK 73. Which, means the financial performance of the infrastructure sector after the implementation of PSAK 73 as measured by ROA, ROE is decreased, then the financial performance of the infrastruc-

ture sector after the implementation of PSAK 73 as measured by DAR and DER still bad.

In the properties and real estate sector, there is a difference between ROA, ROE before and after implementation of PSAK 73. The average ROA after the implementation of PSAK 73 decreased from 2.8% to -0.8%, the average ROE after the implementation of PSAK 73 from 4.9% to -1.5, but in leverage ratio, there is no difference between DAR and DER before and after implementation of PSAK 73. Its means the financial performance of the properties and real estate sector after the implementation of PSAK 73 as measured by ROA, ROE is decreased. Then, the financial performance of the properties and real estate sector after the implementation of PSAK 73 still bad. Companies have an increased risk of default because assets and equity are not enough to pay down debt.

The next sector is technology, there is no difference in ROA, ROE, DAR, and DER before and after the implementation of PSAK 73 in technology sector companies listed on the main board of the Indonesia Stock Exchange in 2019-2020 due to a balanced increase between net profit values, assets, equity, and liabilities tend not to change. The financial performance of the technology sector after implementation PSAK 73 as measured by ROA and ROE still good. Then, the company's financial performance as measured by DAR and DER is still bad. Technology sector companies have a high risk of default because assets and equity are not enough to pay down the company's debt.

Next, the data is not enough for per sector test in the transportation and logistic sector, so it is not included in the test per sector. From the above discussion, it can be concluded that the impact of the implementation of PSAK 73 on financial performance (ROA, ROE, DAR, DER) depends on the sector the company operates. The sectors affected by the implementation of PSAK 73 to financial performance as measured by ROA, ROE, DAR, and DER are the financials, industrials sectors. Then the sectors affected by the implementation of PSAK 73 to

financial performance are only measured by ROA, ROE, and DER, namely the consumer cyclical sector. The infrastructures and properties and real estate sectors impact financial performance as measured by ROA and ROE. The basic materials and energy sectors impact financial performance as measured by DAR and DER. As for the consumer non cyclical sector and technology hypothesis test results showed no difference in ROA, ROE, DAR, DER before and after the implementation of PSAK 73.

Research in line with normative accounting theory relating to differences between different accounting systems in this case the new financial accounting standards of PSAK 73 on Lease are different from the previous rental standards. In PSAK 73 the rental classification was tightened, almost all leases entered the category of financing leases so that there was a change in total asset, equity, and liabilities. The new rules of PSAK 73 will have an impact after its implementation, in accordance with the nature of normative accounting theory, i.e. a priori means causation. With the implementation of PSAK 73 there will be changes in the recording of the company's net income, assets, equity and liabilities, impacting the company's financial performance as measured by ROA, ROE, DAR, and DER.

The finding is in line with the results of Morales-Díaz and Zamora-Ramírez (2018) who concluded that the impact of implementing PSAK 73 depends on the sector the company is operating in.

## CONCLUSION

Based on the results of research on the impact of the implementation of PSAK 71 and 73 on financial performance as measured by ROA, ROE, DAR, and DER on companies listed on the main board of the Indonesia Stock Exchange in 2019-2020, the authors draw the following conclusions: (1) After the implementation of PSAK 71 on average Indonesian listed companies reported the lower financial performance in term of ROE decreasing, (2) After the implementation of

PSAK 71 on average Indonesian listed companies reported the lower financial performance in term of DAR increasing, (3) After the implementation of PSAK 71 on average Indonesian listed companies reported the lower financial performance in term of DER increasing, (4) The impact of the implementation of PSAK 71 on financial performance as measured by financial ratios (ROE, DAR, and DER) depends on the sector the company operates in. The sectors of companies whose financial performance is most impacted by PSAK 71 are the financials and infrastructures sector, (5) After the implementation of PSAK 73 on average Indonesian listed companies reported the lower financial performance in term of ROA decreasing, (6) After the implementation of PSAK 77 on average Indonesian listed companies reported the lower financial performance in term of ROE decreasing, (7) The implementation of PSAK 73 did not effect to financial performance in term of DAR, (8) After the implementation of PSAK 73 on average Indonesian listed companies reported the lower financial performance in term of DER decreasing, and (9) The impact of the implementation of PSAK 73 on financial performance as measured by financial ratios (ROA, ROE, DAR, and DER) depends on the sector the company operates in. The sectors of companies whose financial performance has the impact due to PSAK 73 are the financials and industrial sectors.

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