

Implications and Challenges of Implementing PSAK 22 Convergence with IFRS 3 on Goodwill Accounting in Indonesia

Implikasi dan Tantangan dalam Implementasi PSAK 22 Konvergensi IFRS 3 pada Akuntansi Goodwill di Indonesia

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Abstract - This study aims to identify the implication and challenge of implementing PSAK 22 convergence of IFRS 3 on goodwill accounting in Indonesia. PSAK 22 which is converged with IFRS 3 regulates business combinations, including the recognition and measurement of goodwill, with a focus on the exception of amortization and the application of impairment tests (impairment tests). The research method used is the systematic literature review (SLR) with an analysis of 11 related articles to elaborate on the main issues in the implementation of PSAK 22. The results of the study indicate that the implementation of PSAK 22 increases the transparency of financial statements and the relevance of information for stakeholders. On the other hand, there are challenges in implementing PSAK 22 such as the complexity of fair value measurement, high implementation costs, and managerial discretion that can affect reporting reporting. This study contributes to the literature on the implementation of PSAK 22 in Indonesia by offering insights into the benefits and challenges faced by entities in implementing this standard. The novelty lies in reviewing PSAK 22 implementation in Indonesia, highlighting implications and challenges in goodwill accounting, and providing insights on IFRS 3 convergence benefits and difficulties within Indonesia's accounting environment.

Keywords: Business Combination, Financial Reporting Transparency, Goodwill Accounting, IFRS 3, Implementation Challenges, PSAK 22.

Abstrak - Penelitian ini bertujuan untuk mengidentifikasi implikasi dan tantangan penerapan PSAK 22 yang terkonvergensi dengan IFRS 3, khususnya terkait pengakuan dan pengukuran goodwill di Indonesia. Metode penelitian yang digunakan adalah systematic literature review (SLR) dengan analisis terhadap 11 artikel terkait untuk mengelaborasi isu-isu utama dalam penerapan PSAK 22. Hasil penelitian menunjukkan bahwa implementasi PSAK 22 meningkatkan transparansi laporan keuangan dan relevansi informasi bagi pemangku kepentingan. Di sisi lain, terdapat tantangan dalam implementasi PSAK 22 seperti kompleksitas pengukuran nilai wajar, biaya implementasi yang tinggi, dan diskresi manajerial yang dapat memengaruhi keandalan pelaporan. Penelitian ini memberikan kontribusi terhadap literatur tentang implementasi PSAK 22 di Indonesia dengan menawarkan wawasan mengenai manfaat dan hambatan yang dihadapi oleh entitas dalam melaksanakan standar ini. Kebaruan penelitian ini terletak pada kajian implementasi PSAK 22 di Indonesia, yang menyoroti implikasi dan tantangan dalam akuntansi goodwill serta memberikan wawasan tentang manfaat dan kesulitan konvergensi IFRS 3 dalam lingkungan akuntansi Indonesia.

Kata Kunci: Akuntansi Goodwill, IFRS 3, Kombinasi Bisnis, PSAK 22, Tantangan Implementasi, Transparansi Pelaporan Keuangan.

INTRODUCTION

According to the agreement of the Indonesian government as a member of the G-20 forum, Indonesia is committed to converging the International Financial Reporting Standards (IFRS) into its Financial Accounting Standards (SAK) (Bharata et al., 2020). As part of this convergence commitment, it is necessary to adjust statement of financial accounting standards (PSAK) 22 to align with IFRS 3. PSAK 22 has undergone several stages of IFRS 3 adoption over the years, starting from 2008 until its most recent amendment in 2018 (Asiawati et al., 2024). The convergence of IFRS 3 has brought changes to the accounting treatment of goodwill, which is an intangible asset that arises in the context of business

combinations (Masrukhan, 2024). Under PSAK 22, goodwill is recognized as an intangible asset that is not amortized but is subject to periodic impairment testing (Sa'diyah et al., 2024).

PSAK 22 Convergence with IFRS 3 is believed to enhance the transparency of financial statement, as goodwill is presented more clearly, allowing users of financial reports to gain a better understanding (Afandi et al, 2023). Goodwill is considered to have a positive impact on corporate financial statement by increasing net value or shareholders equity (Bagna et al., 2023). When goodwill is recognized in a business acquisition, it reflects that the company has made an investment that generates intangible assets with strategic value, thereby increasing shareholders equity and improving the company's image in the eyes of investors. Furthermore, goodwill impairment allows management to convey private information to the market. Thus, the information provided by goodwill impairment can be useful for investors and other stakeholders who use financial statements to revise their expectations regarding the company's future earnings and cash flows (Sumarni et al., 2024).

However, despite the arising benefits, there are various criticisms from practitioners, academics, and standard board members regarding the implementation of PSAK 22, especially related to the impairment process of goodwill (Bagaskara & Yanti, 2025). Since the early 1900s, goodwill has been a source of debate and controversy within the accounting profession Internationally (Lampiris et al., 2025). The discretion afforded to managers may cause goodwill to be undervalued or overvalued. The goodwill accounting standard provides managers with certain flexibilities to engage in opportunistic behaviors (Just et al., 2023). Companies also often face difficulties in accurately determining the fair value of goodwill, thereby affecting financial statements and the quality of the information presented (Sa'diyah et al., 2024). Several studies state that professional valuations in goodwill impairment tests tend to reflect the strategic objectives of owners rather than the actual economic value (Frii & Hamberg, 2021). At the same time, financial report preparers argue that goodwill impairment testing is complex and incurs high costs (Amel-zadeh et al., 2021).

The business competition supervisory commission (KPPU) recorded that the trend of mergers and acquisitions in Indonesia has increased annually from 2018 to 2022. The rise in merger and acquisition notifications was triggered by several factors, ranging from the impact of the COVID-19 pandemic, market expansion, to the financial services authority (OJK) regulations that push Commercial Banks in Business Group 1 (BUKU 1) to meet capital requirements stipulated in OJK regulation No. 12 of 2020. Certainly, in conducting business combinations, companies need to adjust the accounting treatments as currently regulated in PSAK 22.

With the development of the merger and acquisition trend in Indonesia, the author is interested in elaborating on the implementation of PSAK 22 converging with IFRS 3 on goodwill accounting in Indonesia, especially in the measurement and impairment testing of goodwill that involves a high degree of subjectivity and managerial discretion. Although several studies have discussed the implementation of PSAK 22 converging with IFRS, most of these studies focus on the analysis of a single company and therefore do not provide a comprehensive overview. Hence, this study aims to provide a broader depiction through a systematic literature review (SLR) approach. This research is expected to enrich the literature related to the implementation of PSAK 22 in the context of goodwill accounting in Indonesia and serve as a knowledge resource for companies facing changes in accounting standards during the transition of business combinations.

LITERATURE REVIEW

IFRS Convergence

In 2009, the Indonesian Institute of Accountants (IAI) announced that the convergence program of Indonesian financial accounting standards (SAK) to International financial reporting standards (IFRS) would be carried out gradually to reduce the gap in standards among G-20 member countries. The IFRS convergence process in Indonesia was divided into three phases: the adoption phase (2008 to 2010), the final preparation phase (2011), and the implementation phase (2012). The term "business combination" in IFRS 3 began to be used after PSAK 22 became effective on January 1, 2011. Internationally, IFRS 3, issued in March 2004, replaced IAS 22 and introduced significant changes in the accounting treatment of business combinations. This standard ended the use of pooling of interest

accounting and established that goodwill is recognized as an intangible asset with an indefinite life and is not subject to amortization.

PSAK 22

PSAK 22 (revised 2018) defines a business combination as a process in which an entity obtains control over one or more businesses through a transaction or other event. In a business combination, the acquiring party gains full control over the acquired business entity, consistent with the concept that a business combination involves the merger of two or more companies into one new entity. According to Farman (2024), there are key points in PSAK 22 that need to be understood as follows: 1) PSAK 22 provides guidance on the recognition and measurement of assets, liabilities, and equity of entities involved in a business combination, including steps to assess the acquired assets and liabilities and determine the fair value of the combined entity. 2) PSAK 22 requires disclosure of relevant and adequate information about the business combination, including the identity and impact of the combination on the financial statements of the entities involved, its effects on net income, financial position, and cash flows. 3) PSAK 22 outlines criteria to determine whether a transaction qualifies as a business combination. This includes assessing whether the combining entity obtains control over another entity and whether the transaction meets the definition of a business combination under the standard. 4) PSAK 22 provides guidance on how to identify the acquisition date in the context of a business combination. This is important because the acquisition date is used as a reference point to assess the acquired assets and liabilities and to measure the fair value of the combined entity. 5) PSAK 22 requires entities to apply consistent accounting methods in recognizing and measuring assets, liabilities, and equity related to the business combination. This ensures consistency in financial reporting and enables stakeholders to understand the impact of the business combination on the performance and financial position of the entities involved.

Business Combination

Business combinations are divided into several types, namely; 1) acquisition, this is a business combination conducted by merging one company with another, where the acquired company is under the control of the acquiring company. 2) Merger, this is a business combination conducted by merging companies to become a single business entity. 3) Consolidation, this is a business combination that merges two or more companies to form a new company.

Business combinations can be carried out with various types of integration as follows; 1) horizontal integration, this is the merger between companies operating in the same market domain. 2) Vertical Integration, this is a business combination between companies that complement each other with the purpose of collaborating on a product. 3) Conglomeration, this is a business combination between companies that do not have similar products, thus the companies have many products/services across various business fields.

Objectives and Benefits of Business Combinations

According to PSAK 22, companies can design business combinations for various purposes such as legal reasons, tax reasons, or other reasons. Beyond these purposes, business combination activities can be motivated by more specific goals such as; 1) cost efficiency, business combinations can save operational costs such as salaries, research, development, and other financial needs. 2) Time savings, business combinations can save time in business development, including utilizing facilities already available from the other company. 3) Risk minimization, business combinations can result in broader product and market development, thus reducing risks. 4) Avoiding takeovers by other companies, business combinations can secure the company from potential takeovers by other companies. 5) Acquisition of asset rights, business combinations merge ownership of assets from the acquired company.

Goodwill Accounting

According to Sa'diyah et al. (2024), goodwill is generally recognized and classified based on its source and nature. Several types of goodwill accounting commonly found in practice are as follows; 1) purchased goodwill, purchased goodwill arises when an entity acquires another entity and the purchase price exceeds the fair value of the identifiable net assets. This type of goodwill is the most common in business combination accounting practice and is regulated by accounting standards such as IFRS 3

and PSAK 22 (Revised 2010). Purchased goodwill is recognized on the balance sheet as an intangible asset and regularly tested for impairment. 2) Inherent goodwill, inherent goodwill is goodwill not resulting from a specific acquisition transaction but naturally attached to the company. This goodwill reflects value from reputation, customer loyalty, and future earning potential. However, inherent goodwill is not recognized in financial statements because it lacks a reliable measurement basis. Modern accounting focuses more on purchased goodwill because it can be objectively measured. 3) Positive and negative goodwill. Positive goodwill occurs when the acquisition cost of the business combination exceeds the fair value of the identifiable net assets. Positive goodwill is considered an indication of potential future synergies and the excess value of the acquired company. Negative goodwill (bargain purchase) occurs when the acquisition cost is less than the fair value of the identifiable net assets. Also known as a gain from a bargain purchase, it is recognized as income in the profit and loss statement. 4) Implied goodwill, Implied goodwill arises during impairment testing. When a company conducts impairment testing, the recoverable amount of a cash-generating unit is compared to its carrying value. If the recoverable amount is higher, implied goodwill may be identified in the measurement process. However, this type is more related to evaluating impairment of previously recognized goodwill than to initial recognition.

Goodwill Measurement

According to IFRS 3 and PSAK 22, goodwill is measured at acquisition using the cost approach, calculated as the difference between the acquisition cost of the business combination and the fair value of the identifiable net assets: 1) if the initial measurement results in a positive difference, goodwill is recognized as an intangible asset. 2) If the initial measurement results in a negative difference, the acquisition is classified as a bargain purchase and is immediately recognized as a gain in the profit and loss statement.

The fair value measurement of assets in a business combination must be conducted at fair value to ensure that the financial statements reflect the maximum value of the acquisition transaction.

Goodwill Reporting and Valuation

Goodwill reporting and valuation are strictly governed by IFRS 3: business combinations, IAS 36: impairment of assets, and the local standard PSAK 22 (revised 2010). The reporting of goodwill in financial statements is done under the following conditions: 1) goodwill is recorded as an intangible asset on the balance sheet. 2) Impairment is not recognized if the recoverable amount exceeds the carrying amount. 3) If the recoverable amount is lower, the difference is recognized as an impairment loss in the profit and loss statement.

Goodwill Impairment Testing

The assessment of goodwill is carried out to ensure that its carrying amount does not exceed its recoverable amount. The recoverable amount is determined as the higher of; 1) value in use, calculated based on discounted future cash flows using an appropriate discount rate. This reflects management's expectations of the future performance of the cash-generating unit. 2) Fair value less costs of disposal, this valuation is based on the estimated sales price of the asset in an open market less the costs associated with the sale.

The goodwill impairment test, which must be performed annually, involves comparing the carrying amount of the cash-generating unit, including goodwill, with its recoverable amount. If the recoverable amount is lower than the carrying amount, an impairment loss is recognized.

The valuation of goodwill in practice requires the use of managerial assumptions and estimates, such as projections of future cash flows and discount rates. Goodwill impairment testing is more comprehensively regulated under PSAK 48.

RESEARCH METHOD

This study uses a qualitative descriptive method to explain the implementation of PSAK 22 converging with IFRS 3 on goodwill accounting in Indonesia, particularly in the measurement and impairment testing of goodwill that involves a high degree of subjectivity and managerial discretion. The approach employed is a systematic literature review (SLR) using the PRISMA technique to identify, select, and analyze articles relevant to the research topic. The research process was conducted through a literature search on Google Scholar, Garuda Kemdikbud, and Emerald Insight using several relevant keywords, namely

“PSAK 22,” “Goodwill”, “IFRS 3” and “Business Combination”. Subsequently, screening was carried out based on five criteria as follows: 1) duplicate articles/journals; 2) articles published within the period 2018 to 2024 in relation to the latest adjustment of PSAK 22 in 2018; 3) articles matching the criteria based on title and abstract; 4) articles that have been cited; 5) articles with public access.

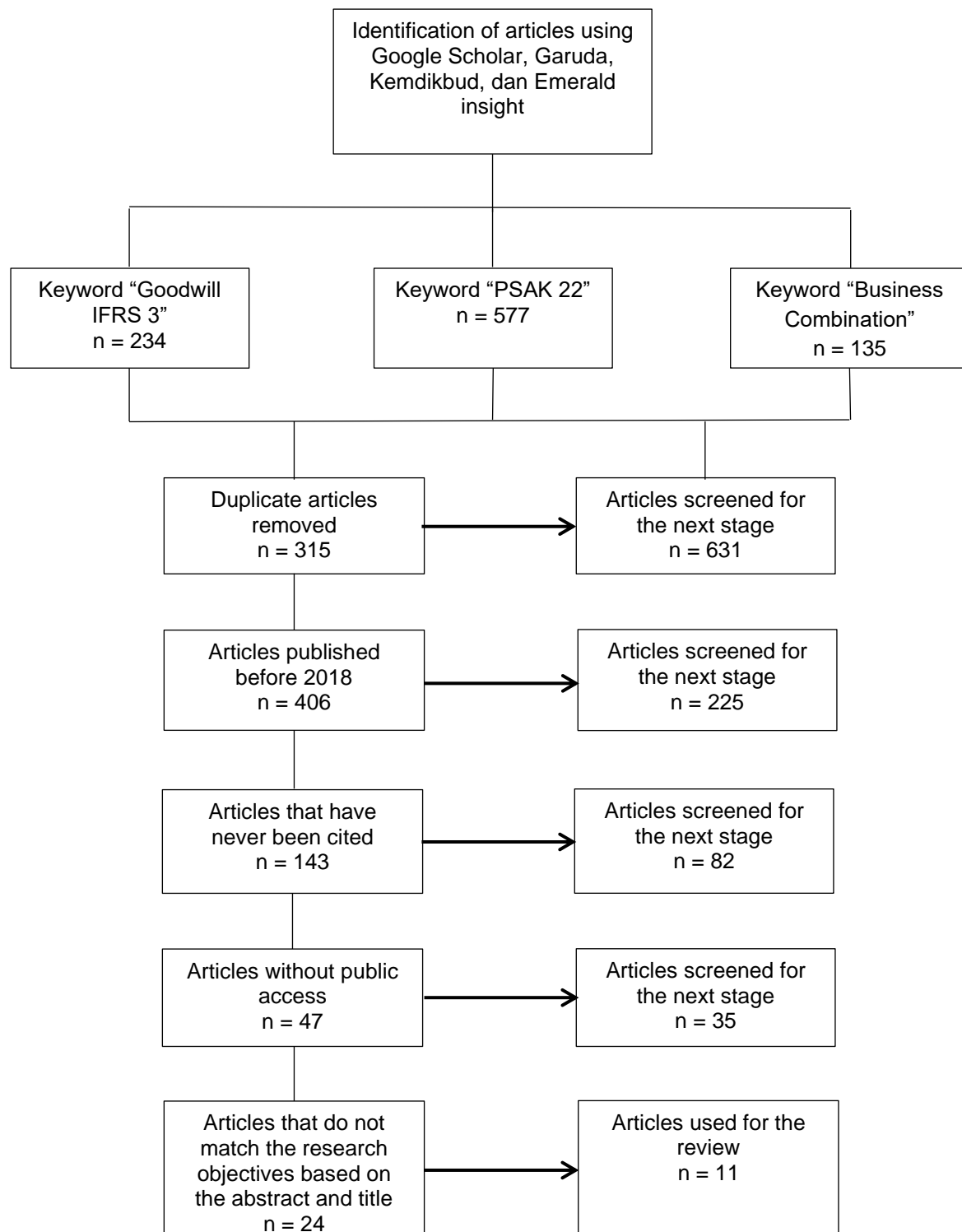


Figure 1. PRISMA Framework

Source: Processed by author, (2024).

Based on the final screening as shown in figure 1, the author uses 11 articles in Indonesian and English to identify the implementation of PSAK 22 convergence with IFRS 3 in goodwill accounting in Indonesia, with the following details:

Table 1. List of Selected Articles for Review

No	Article Title	Journal	Researcher, year
1	Implementasi PSAK 22 Sebelum dan Sesudah Adopsi IFRS pada Laporan Keuangan PT. Kalbe Farma, Tbk.	Costing: Journal of Economic, Business, and Accounting	Intan Asiawati, Clarisa Bunga Lestari, Lia Uzliawati, 2024.
2	Implementasi Akuntansi Kombinasi Sebelum dan Sesudah Dengan Mengadopsi PSAK 22 Studi PT. Ultrajaya Milk Industri and Trading Company, Tbk	Jurnal Manajemen dan Akuntansi	Anastasya Simanjuntak, Dias Ayuk Nurutami, Rizkya Sukma Putri, Endang Kartini Panggiarti, 2023.
3	Evaluation of Business Combination Accounting: Pre and Post PSAK 22 Implementation in PT. Indosat Tbk	Jurnal Ilmiah Manajemen Kesatuan	Emmaculata Sac Cid Ananda, Najla Aulia Nur Ramadhianti, Jentiya Br Sinulingga, 2023.
4	Analisis Akuntansi Bisnis dengan Konvergensi IFRS pada Laporan Keuangan PT. Garuda Indonesia Persero Tbk	Populer: Jurnal Penelitian Mahasiswa	Ranaa Naziira Givasya Anggoro, Natasya Alveenia, Agustine Dwianika, 2023.
5	Penerapan Akuntansi Kombinasi Bisnis Sebelum dan Sesudah Adopsi IFRS pada PT. Bentoel Internasional Investama Tbk	Jurnal Akuntan Publik	Almira Siva Devina Wijanarko, Ellisa Noviana Dera, Wahyu Marginingtyas A.P., Endang Kartini Pnaggiarti 2023.
6	Analisis Penerapan PSAK 22 Tentang Akuntansi Kombinasi Bisnis pada Perusahaan Go Public di Lingkungan	Journal of Management Accounting, Tax, and Producion	Samuel P Siregar, Shaldan Rizqiano Jouzjani S, Rifatul Alifah, Rizky Isder, Bana Ahmad Gautama, 2024.
7	Analisis Kinerja Keuangan Sebelum dan Setelah Penerapan PSAK 22 pada PT. Sejahterajaya Anugrahjaya Tbk	Accounting Research Unit Journal	Anindiya Salsabila, 2024.
8	Implementasi Akuntansi Kombinasi pada Bisnis UMKM Kopi Kenangan (Sebelum dan Sesudah Adopsi IFRS)	Jurnal Ekonomi, Manajemen, Akuntansi	Dhea Indriati Sihaloho, Egia Mintana Sri Rezeki Sembiring, Elvidasari Sijabat, Gio Qaedy Auzan, Bana Ahmad Gautama, 2024
9	Perlakuan Akuntansi <i>Goodwill</i> dalam Penggabungan Usaha: Tinjauan Teoritis dan Implementasi di Indonesia	Musytari Neraca Manajemen, Ekonomi	Sa,diyah, Melinda Indri Setyawati, M. Masrukhan, 2024
10	Has Goodwill Become More Relevant after IFRS Convergence in Indonesia?	Journal of Accounting and Investment	Ersa Tri Wahyuni, Dewantoro, Ilya Avianti, 2018
11	Implementasi Akuntansi Kombinasi Bisnis dan Analisis Kinerja Keuangan Sebelum dan Setelah Penerapan PSAK 22 pada PT Goto Gojek Tokopedia Tbk	Jurnal Kendali Akuntansi	Amanda Salwa Desfana, Januari Araf, Niken Rizqi Amborowati, Endang Kartini Panggiarti, 2024

Source: Processed by author, (2024).

FINDINGS AND DISCUSSION

Findings

For the 11 selected articles, the author conducted an analysis of the methods, research results, and research limitations. The author also identified the impacts and challenges of IFRS 3 implementation as described in each article. This information is elaborated by the author in the following table:

Table 2. Summary of Selected Journal Reviews on The Implications of PSAK 22 Convergence with IFRS 3 Implementation

Researcher	Methods	Research Findings	Implications of IFRS 3 Convergence on Goodwill Accounting	Challenges of IFRS 3 Convergence	Research Limitations
Intan Asiawati, Clarisa Bunga Lestari, Lia Uzliawati, 2024	A qualitative approach with content analysis technique using data from the Indonesia Stock Exchange for PT Kalbe Farma Tbk.	The company experienced significant changes in the recognition and accounting treatment of acquisitions and business combinations from 2009 to 2019.	Changes in the recognition of negative goodwill, where the recognition and amortization of negative goodwill were discontinued and an annual impairment test of goodwill is conducted.	The classification of goodwill as an intangible asset in the consolidated financial statements may confuse the interpretation of financial statement users.	Focused on a single-company case study
Anastasya Simanjuntak, Dias Ayuk Nurutami, Rizky Sukma Putri, Endang Kartini Panggiarti, 2023	A qualitative approach using content analysis techniques based on data from the Indonesia Stock Exchange (IDX) for the period 2009–2019 on PT Ultrajaya Milk Industry and Trading Company Tbk.	The company implemented the pooling of interest method for recording business combinations during 2009–2010.	A restructuring occurred in the presentation of non-controlling interest accounts. Starting in 2011, these accounts were presented as components of equity in the consolidated balance sheet. In 2016, when one of the subsidiaries was liquidated, the company did not record any goodwill value related to the acquisition transaction.	<ul style="list-style-type: none"> • Technical and administrative challenges due to the change in accounting method • Challenges in ensuring that the fair value applied complies with the provisions of PSAK 22 	Focused on a single-company case study
Emmaculata Sac Cid Ananda, Najla Aulia Nur Ramadhianti, Jentiya Br Sinulingga, 2023	Descriptive quantitative method using PT Indosat Tbk financial statements (IDX, 2009–2012).	The results show that after the implementation of PSAK 22, the recording method changed from the purchase method to the acquisition method. However, the company's financial performance did not improve significantly, with profitability ratios remaining below the industry standard.	The company adopted the acquisition method, which requires goodwill to be measured through annual impairment testing without amortization. In the financial statements, PSAK 22 discontinued the amortization of goodwill and recognized acquisition costs as expenses in the period incurred rather than as part of the business combination. The company's profitability ratios did not improve after the implementation of PSAK 22 and remained below the industry standard.	<ul style="list-style-type: none"> • The consolidation process became more complex, requiring a deeper understanding of technical accounting aspects and comprehensive information management • The acquisition method created financial burdens or valuation adjustments that negatively affected the company's ROE. Therefore, a re-evaluation of the acquisition recording method is needed to ensure accuracy and fairness in reflecting the company's performance 	Focused on a single-company case study

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Researcher	Methods	Research Findings	Implications of IFRS 3 Convergence on Goodwill Accounting	Challenges of IFRS 3 Convergence	Research Limitations
Ranaa Nazaira Givasya Anggoro, Natasya Alveenita, Agustine Dwianika, 2023	The study employed a qualitative method using content analysis techniques. Data were obtained from the annual reports and financial statements of PT Garuda Indonesia for the periods 2010, 2011, 2015, and 2018, during which each period applied different PSAK 22 provisions according to the latest revisions.	PT Garuda Indonesia consistently complied with PSAK 22, which has been converged with IFRS. The adjustments made include: <ul style="list-style-type: none"> Discontinuation of goodwill amortization since 2011, replace with annual impairment testing Adjustment of financial instruments (2015) and remeasurement of the fair value of step business combinations (2018). 	IFRS 3 changed the method of recording acquisitions, such as discontinuing goodwill amortization and recognizing acquisition costs directly. The company became more transparent in reporting step business combinations and consistently complied with the continuously revised PSAK 22.	Administrative challenges and the goodwill impairment process demand greater resource allocation and more detailed management.	The study was conducted on a single company, with the research period limited to four years of financial statements (2010, 2011, 2015, and 2018).
Almira Siva Devina Wijanarko, Ellisa Noviana Dera, Wahyu Marginingtyas A.P., Endang Kartini Pnaggiarti 2023	A qualitative method with a content analysis approach was used. The data consisted of secondary sources, such as the financial statements of PT Bentoel Internasional Investama Tbk before and after the implementation of IFRS.	The application of PSAK 22 in line with IFRS strengthened transparency and reduced opportunities for earnings management manipulation.	The increased transparency related to business combinations (including fair value measurement of assets and liabilities, purchase price allocation, and the recognition of minority and non-controlling interests) had a positive impact by helping the company reduce the likelihood of earnings management practices and enhance stakeholder trust.	<ul style="list-style-type: none"> The disclosure of minority and non-controlling interests still requires further improvement The implementation of PSAK 22 and IFRS entails additional costs and resource requirements 	Focus only on a single company
Samuel P Siregar, Shaldan Rizqiano Jozjani S, Rifatul Alifah, Rizky Isder, Bana Ahmad Gautama, 2024	Analyzing the implementation of PSAK 22 on business combination accounting in publicly listed companies in Indonesia, with a focus on the level of compliance, implementation challenges, and the quality of financial information disclosure.	Large companies and those audited by major accounting firms demonstrated higher levels of compliance. Although there was an improvement in the quality of information disclosure, shortcomings remained, particularly related to the recognition of goodwill.	Disclosures regarding goodwill should be detailed, and financial statements need to present information on transaction values, acquired assets, and assumed liabilities.	The main challenges in implementing IFRS 3 include the complexity of measuring the fair value of acquired assets and liabilities, as well as the limited understanding among accounting practitioners regarding this standard. In addition, variations in compliance levels among companies also represent a significant issue.	The limitations of this study include its focus on a single type of entity (publicly listed companies), which may not reflect overall practices in the SME sector or among private companies.
Anindiya Salsabila, 2024	Conducted a comparative study using secondary data from the financial statements of PT Sejahteraraya Anugrahjaya Tbk, analyzed through NPM, CR, DER, and TATO ratios with the assistance of SPSS 25 for Windows.	Performance fluctuations were observed following the acquisition of PT Bogor Medical Center by PT Sejahteraraya Anugrahjaya Tbk.	<ul style="list-style-type: none"> Improvement in profitability, although the average remained negative Decline in current ratio Increase in solvency accompanied by greater financial risk Improved asset utilization efficiency 	<ul style="list-style-type: none"> The company's financial performance experienced significant fluctuations after the acquisition, particularly in profitability and solvency aspects. The implementation of PSAK 22 converged with IFRS required a more complex process of identifying the fair value of assets and liabilities. 	The study was limited to a single company and lacked supporting references from books and journals.

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Researcher	Methods	Research Findings	Implications of IFRS 3 Convergence on Goodwill Accounting	Challenges of IFRS 3 Convergence	Research Limitations
Dhea Indriati Sihalo, Egia Mintana Sri Rezeki Sembiring, Sijabat, Gio Qaedy Auzan, Bana Ahmad Gautama, 2024	A qualitative approach with content analysis was applied. Secondary data were collected from excerpts of print and online media.	The implementation of IFRS and PSAK 22 in Kopi Kenangan strengthened the company's competitiveness by enhancing the transparency and integrity of financial reporting, while limiting the potential for earnings management manipulation.	The application of IFRS 3 and PSAK 22 improved the quality of financial reporting, reduced opportunities for earnings management, and increased transparency. This also contributed to the company's competitiveness by positively affecting the integrity of financial reports.	There remains a need to ensure compliance with stricter accounting standards.	This study focused on a single entity (Kopi Kenangan) and relied solely on secondary data, which may have limitations in terms of accuracy.
Sa,diyah, Melinda Indri Setyawati, M. Masrukhan, 2024	A journal and case study using a descriptive qualitative approach. Data were collected through in-depth interviews with accounting practitioners and an analysis of the financial statements of companies involved in business combinations.	Although PSAK 22 has been adopted, its implementation still faces various challenges. This study also emphasizes the need to enhance training for accounting practitioners.	The standard improves the transparency of financial reporting and reduces the manipulation of goodwill values, which is expected to enhance the quality of information presented to stakeholders.	However, challenges remain, including difficulties in determining the fair value of goodwill, differences in valuation between auditors and management, and the limited availability of trained human resources to handle accounting reporting in accordance with the standards.	The study focused on specific companies, which may not represent overall practices across the industry.
Ersa Tri Wahyuni, Dewantoro, Ilya Avianti, 2018	The method used was panel data regression with random effects and fixed effects models.	<ul style="list-style-type: none"> Goodwill had a significant and positive effect on firm value after IFRS convergence Goodwill impairment had a significant impact in the year of IFRS adoption (2011) and the following year. Investors responded positively to goodwill impairment in the early year of IFRS adoption. 	The implementation of IFRS 3 increased the relevance of goodwill value in the Indonesian capital market. Goodwill was considered to provide more useful information compared to the previous amortization approach.	<ul style="list-style-type: none"> Managerial discretion Validation constraints Low frequency 	The observation period was relatively short, covering the years 2009 to 2015.
Amanda Salwa Desfana, Januari Araf, Niken Rizqi Amborowati, Endang Kartini Panggiarti, 2024	A descriptive quantitative method with a case study approach.	Business combinations had a significant impact, particularly after the implementation of PSAK 22. The company needs to develop strategies to improve financial performance and maintain investor confidence in the future.	PT GoTo Gojek Tokopedia Tbk applied the acquisition method to record its business combinations. The non-controlling interest in the acquired entity was recognized in proportion to the non-controlling interest's share of the acquiree's net assets. There was an increase in long-term liabilities due to the identifiable assets obtained from the business combination, as well as an improvement in profit margin in 2022.	Strategies are needed to enhance financial performance and sustain investor confidence due to the decline in ROA and ROE.	The study focused on a single company and a specific time period.

Source: Processed by author (2024).

Discussion

What are the Implications of PSAK 22 Convergence with IFRS 3 on Goodwill Accounting in Indonesia?

The implementation of PSAK 22 convergence with IFRS 3 generally has implications for various aspects of goodwill accounting practices in Indonesia, including changes in recording methods, increased transparency in reporting, and the impact on corporate financial performance. From an accounting treatment perspective, companies have shifted to the acquisition method, which requires goodwill to be measured through annual impairment testing without amortization, as well as the discontinuation of goodwill amortization and the recognition of negative goodwill (Ananda et al., 2023). This is consistent with the practices applied by PT. GoTo Gojek Tokopedia Tbk and PT Indosat Tbk, as shown in table 2. Companies have adapted to the changes in PSAK 22 resulting from IFRS convergence, such as replacing the purchase method with the acquisition method for recording business combinations, discontinuing goodwill amortization and the recognition of negative goodwill, clarifying the scope of the standard, and recognizing contingent consideration obligations that meet the definition of financial instruments as either financial liabilities or equity. Furthermore, the standard requires the remeasurement of the fair value of business combinations (Naziira et al., 2023). These changes were also accompanied by a restructuring of non-controlling interest accounts, where since 2011, such accounts have been presented as components of equity in the consolidated financial statements, as seen in the case of PT. Ultrajaya Milk Industry & Trading Company Tbk.

According to Sihaloho et al. (2024), PSAK 22 provides more appropriate and comprehensive recommendations. The strict recognition and measurement criteria are among the key details of PSAK 22 implementation that may influence earnings management strategies. As found in Destiana et al. (2024), PT. GoTo Gojek Tokopedia Tbk employs non-PSAK financial measurements as a supplement to its consolidated financial statements. This approach is intended to provide additional information for investors through EBITDA adjustments, allowing better comparison between past and current performance. Overall, PSAK 22 enhances transparency, reduces the possibility of partial disclosure, and strengthens the obligation to disclose information on business combinations.

From the perspective of transparency and financial reporting quality, PSAK 22 encourages companies to present more open and measurable information regarding business combinations, including the fair value of acquired assets and liabilities, purchase price allocation, and the recognition of minority and non-controlling interests. This increase in transparency helps reduce opportunities for earnings management practices and strengthens stakeholder confidence (Asiawati et al., 2024). On one hand, properly recognized goodwill can enhance the relevance and transparency of financial statements and provide a more comprehensive picture of a company's economic value. On the other hand, the complexity of measurement and impairment testing may reduce the reliability and comparability of financial statements if not managed properly (Sa'diyah et al., 2024).

From a financial performance perspective, the implementation of PSAK 22 shows mixed results. Some companies experienced improvements in profitability, although the average remained negative, accompanied by a decline in current ratio and an increase in solvency, indicating higher financial risk (Budiman et al., 2024). For example, Wahyuni et al. (2018) found that goodwill value had a positive effect on firm value among companies listed on the Kompas100 Index during 2009–2015. However, they also noted that although goodwill impairment losses occurred after IFRS convergence (2011–2015), such losses did not have a significant effect on market value. Similarly, Ananda et al. (2023) found that the implementation of PSAK 22 had no significant impact on financial performance at PT. Indosat Tbk, as the ROA and ROE ratios remained below industry standards. Furthermore, Anindya (2024), who examined the business combination of PT. Sejahteraraya, concluded that the implementation of PSAK 22 caused fluctuations in financial performance after the acquisition process. This was reflected in changes in the average net profit margin (NPM) before and after the merger, a decline in current ratio, an increase in the average Debt to Equity Ratio (DER), and an improvement in total asset turnover.

Overall, the implementation of PSAK 22 convergence with IFRS 3 has had a positive impact on improving the transparency, relevance, and integrity of financial reporting. However, the findings also

indicate that the change in standards has not fully translated into better financial performance. The success of PSAK 22 implementation largely depends on the quality of impairment testing for goodwill, the accuracy of fair value measurement, and the ability of management to consistently apply accounting principles.

What Challenges are Faced in Implementing the Convergence of IFRS 3 in Goodwill Accounting in Indonesia?

One of the major challenges in implementing PSAK 22 is the complexity of measuring the fair value of acquired assets and liabilities, as fair value measurement requires sophisticated methods and specialized expertise. The implementation of PSAK 22 may cause companies to face difficulties in determining accurate market values. As stated in the study by Siregar et al. (2024), many accounting practitioners admitted that they lack an in-depth understanding of PSAK 22 requirements, particularly regarding goodwill measurement and purchase price allocation. In addition to technical challenges, the implementation of PSAK 22 also creates administrative burdens and additional resource requirements. Companies must allocate time, costs, and professional expertise to ensure compliance with PSAK 22 and IFRS (Wijanarko et al., 2023). The impairment testing of goodwill is one of the most demanding aspects, as it requires detailed and consistent annual evaluations, often resulting in additional administrative workload (Naziira et al., 2023).

Challenges also arise in reporting and disclosure practices. Several studies found that disclosures related to minority and non-controlling interests are still not performed consistently by companies. For instance, PT. Bentoel Internasional Investama Tbk has not consistently disclosed minority and non-controlling interests (Wijanarko, 2023), while Kopi Kenangan also failed to consistently disclose non-controlling ownership between 2022 and 2023 (Sihaloho, 2023). Furthermore, goodwill classified as an intangible asset is often considered less ideal, as it may cause confusion in interpreting financial statements (Asiawati et al., 2024). From the financial performance perspective, several companies recorded a decline in profitability ratios after implementing PSAK 22. For example, PT. Indosat Tbk experienced a drop in profitability between 2009 and 2012. A similar result was observed in PT. GoTo Gojek Tokopedia Tbk, where ROA and ROE decreased following the adoption of PSAK 22. These declines triggered reduced investor confidence, prompting management to develop strategies to improve financial performance and regain investor trust (Desfana et al., 2024).

Furthermore, Wahyuni et al. (2018) found that although goodwill amortization did not have a significant impact, goodwill impairment testing after IFRS convergence had a significant effect on stock prices. Managers therefore need to develop appropriate strategies for handling goodwill impairment testing. The implementation of PSAK 22 is not only a challenge for companies applying the standard but also for regulators, particularly the Financial Services Authority (OJK), which must ensure that companies engaging in business combinations comply with PSAK 22. This supervision is necessary to prevent goodwill manipulation and to maintain the integrity of financial reporting (Farman, 2024).

CONCLUSION

The accounting treatment of goodwill under PSAK 22 aims to promote transparency in financial reporting and provide an accurate representation of the company's intangible asset value. Effective implementation of the impairment test helps prevent overstatement, where goodwill is recorded at a value higher than its actual economic worth. On the other hand, achieving the objectives of PSAK 22 convergence presents significant challenges, particularly for companies that may have limited resources to conduct impairment testing consistently. Inadequate testing of goodwill can create distortions in financial statements and, in the long term, damage the company's reputation. Companies that properly adhere to PSAK standards demonstrate a commitment to transparency and internationally recognized reporting quality, which in turn strengthens stakeholder trust. The responsibility of companies in the accounting treatment of goodwill extends beyond mere compliance with accounting standards; it plays a crucial role in producing financial statements that reflect true economic value. Consistent and transparent impairment testing can provide more accurate information for stakeholders, thereby enhancing the quality of financial reports, supporting investor confidence, and maintaining the company's reputation in the long run. Future research is suggested to include international comparative

studies to identify similarities and differences in the challenges faced. Additionally, in-depth interviews with accounting practitioners could provide a more comprehensive understanding of the difficulties in implementing PSAK 22, particularly regarding the complexity of fair value measurement and the application of goodwill impairment testing.

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