

## A Conceptual Paper: Implications of Private Entity Accounting Standards on the Quality of Financial Statements

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### ABSTRACT

The purpose of this study is to analyze and examine the level of implementation of Private Entity Financial Accounting Standards (SAK EP) and their impact on the quality of financial statements in service companies, with a case study at PT Catur Sakti Abadi Indonesia (CSAI). The application of SAK EP, which is a simplification of PSAK Umum, is expected to improve the relevance, reliability, and comparability of private entity financial statements. This study uses a quantitative method with a causality approach. Primary data was collected through a questionnaire distributed to respondents in the accounting and management departments of PT CSAI. The collected data will be analyzed using Simple Linear Regression Analysis to test the effect of the SAK EP Implementation variable (X) on Financial Statement Quality (Y). This study is expected to identify gaps in standard implementation and provide theoretical contributions regarding the adoption of new accounting standards in the Indonesian private sector.

**Keywords:** Private Entity Financial Accounting Standards (SAK EP), financial statement quality, service companies, accounting standards implementation, PT Catur Sakti Abadi Indonesia.

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### INTRODUCTION

The development of the business world and the complexity of financial transactions today require the presentation of financial statements that are transparent, accurate, and accountable, including for private entities such as service companies. To respond to this need, the Indonesian Institute of Accountants' Financial Accounting Standards Board (DSAK IAI) has established the Financial Accounting Standards for Private Entities (SAK EP), which will take effect on January 1, 2025. SAK EP is designed as a simplification of general PSAK, but still maintains the quality of financial information relevant to users of the reports.

The quality of financial statements is a central issue, as high-quality reports must be relevant and provide a true and fair view (IAI, 2023). The fundamental question raised in this conceptual study is: Does the simplification brought about by SAK EP maintain or even improve the quality of financial statements, particularly in the context of service companies with unique transaction characteristics? Previous studies (Maulana, et al., 2023; Hairiyah, et al., 2024) indicate implementation challenges, particularly related to the readiness of Human Resources (HR) and Information Technology (IT).

PT Catur Sakti Abadi Indonesia, as a non-public service company, is a relevant subject for the application of SAK EP, which aims to ensure that its financial statements are presented in accordance with generally accepted accounting principles and provide relevant and reliable information. However, the implementation of new standards often faces challenges, such as the unpreparedness of human resources, a lack of socialization, and a lack of technical understanding of the preparation of Notes to Financial Statements (CALK). Several previous studies have shown that entities, especially medium-sized ones, still experience obstacles in implementing several important elements of SAK EP, such as accrual-based revenue recognition and measurement of Allowance for Impairment Losses (CKPN).

Previous relevant studies serve to compare findings, identify research gaps, and position the novelty of this study. This study focuses on the implementation of Private Entity Accounting Standards (SAK EP) and its relationship with the quality of financial reports in service companies. The following is a summary of previous studies used as references: Maulana, et al. (2023) found that the implementation of Private Entity Accounting Standards (SAK EP) caused significant changes in accounting treatment. However, in cooperative entities (a type of private entity), the main obstacles faced were the readiness of human resources (HR) and information technology (IT). Ramadan & Nisa (2025) The results of this case study emphasize that the transition from SAK ETAP to SAK EP has a significant impact on the recognition, classification, and disclosure aspects of financial statements. The crucial challenges found are low accounting literacy and limited human resources. Yulyanti, et al. (2025) Specifically, this study shows that there is a discrepancy in the application of one component of SAK EP, namely Fixed Asset Accounting (SAK EP No. 17). This discrepancy has a direct negative impact on the reliability and fairness of financial information, indicating a decline in report quality. Saputri, et al. (2023) This study found that the Accounting Information System (AIS) has a positive and significant effect on the Quality of Financial Statements in service companies. Although the focus is on AIS, these results support the existence of internal factors (such as systems and compliance) that can improve the Relevance and Reliability of financial statements, which is the basis for the need for structured implementation of SAK EP.

This study focuses on the gap between theory and practice in the application of SAK EP. The core questions asked are:

1. How is SAK EP applied at PT Catur Sakti Abadi Indonesia in the preparation of financial statements?
2. Does the application of SAK EP have a positive impact on the quality of financial statements presented by PT Catur Sakti Abadi Indonesia?

## **LITERATURE REVIEW**

### **Positive Accounting Theory (PAT)**

**Theoretical Foundation** This study uses Positive Accounting Theory (PAT) as its philosophical foundation and conceptual framework. PAT explains and predicts accounting practices based on the assumption that individuals (including managers) act rationally to maximize their personal utility and economic incentives. In this context, the implementation of SAK EP is viewed as an accounting policy choice that managers will take if the benefits (such as reduced capital costs or ease of borrowing) exceed the compliance costs.

The most relevant hypothesis for PT Catur Sakti Abadi Indonesia as a private entity that may rely on debt is the Debt Contract Hypothesis. Managers will be motivated to choose a level of SAK EP implementation that produces high-quality financial statements to convince creditors, maintain debt ratios, and reduce future borrowing costs.

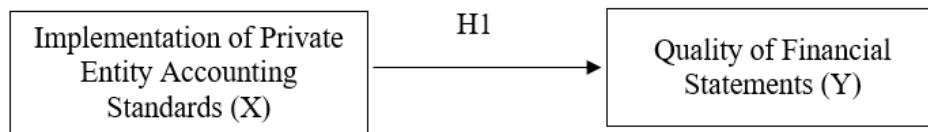
### **Hypothesis Development**

**Definition of Variables and Hypotheses** Independent Variable (X): Implementation of Private Entity Accounting Standards (SAK EP) Implementation of SAK EP is measured by the extent to which PT CSAI has applied standard elements in the aspects of recognition, measurement, presentation, and disclosure of major assets/transactions. The indicators include the application of basic financial statement elements, appropriate recognition of assets/liabilities, and adequate disclosure in the Notes to the Financial Statements.

**Dependent Variable (Y): Financial Statement Quality** Financial statement quality is defined as the level of usefulness of the information presented, which is measured by the fulfillment of fundamental qualitative characteristics, namely Relevance and Fair Presentation. Within the PAT framework, economically motivated managers will strictly implement SAK EP, which in turn will reduce the scope for earnings management practices, resulting in more reliable and honest financial statements.

Based on this framework, the research hypothesis (H1) is formulated as follows:

H1: The implementation of Private Entity Accounting Standards (SAK EP) has a positive and significant effect on the Quality of Financial Statements at PT Catur Sakti Abadi Indonesia.



**Figure 1. Research Model**

## RESEARCH METHOD

### *Type of Research*

The type of research used is quantitative research with a causal approach (cause-and-effect relationship). This research is based on positivism and involves data collection using questionnaires, as well as statistical analysis to test hypotheses.

### *Population and Sample*

The research population consists of all employees of PT Catur Sakti Abadi Indonesia who are directly involved in the preparation or use of financial statements, such as the Accounting/Finance Unit, Senior Management, Internal/External Audit, and Financial Statement User Units. The total population is 34 people. Samples were taken using saturated sampling (census) techniques, in which the entire population was used as the sample. Subject criteria included permanent employees in the finance and accounting departments with at least one year of work experience.

### *Data Collection Method*

Primary data was collected through questionnaires distributed to respondents. The questionnaires were compiled based on indicators of SAK EP Implementation (X) and Financial Statement Quality (Y) variables. Variables were measured using a five-point Likert scale (Strongly Agree to Strongly Disagree).

The collected data will be analyzed using several stages:

1. Descriptive Statistical Analysis.
2. Data Quality Testing: Includes validity and reliability testing.
3. Classical Assumption Testing: Includes testing for normality, multicollinearity, and heteroscedasticity (although multicollinearity testing may not be relevant in simple linear regression).

Simple Linear Regression Analysis: Used to test the effect of independent variables (X) on dependent variables (Y). The regression model equation is  $Y = a + bX + e$ .

## CONCLUSION

This conceptual paper provides a theoretical basis and methodological framework for empirical research on the impact of SAK EP on the quality of financial statements in service companies. Based on PAT, SAK EP functions as an efficient accounting mechanism to improve reporting quality. Research Contribution: This research is expected to provide empirical evidence on the effectiveness of accounting standard transition in Indonesia, particularly in service companies. The results can be used as input for IAI in evaluating the effectiveness of SAK EP and for the management of PT Catur Sakti Abadi Indonesia in allocating resources for the implementation process.

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