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THE ROLE OF PRUDENCE IN FINANCIAL REPORTING: IFRS VERSUS DIRECTIVE 34 (A *THEORY STUDY WITH REALITY*)

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ABSTRACT

The conceptual framework represents a coherent system of concepts which arise from a goal. Without a conceptual framework, “the bad accounting practices would triumph over the good accounting practices”. Prudence, one of the oldest and the most well-known accounting concepts, although eliminated from the accounting conceptual framework in 2010, The method used in this paper is the literature review method. Continues to draw attention. At an international level, opinions are divided. Each of the two accounting models, continental and Anglo-Saxon, have their say. Therefore, prudence should be maintained within the conceptual framework, according to the French Accounting Standards Authority, while the Australian Accounting Standards Board (AASB) disagrees with its reintroduction. The discussions related to the reintroduction of prudence within the conceptual framework are concentrated either around the idea of prudence, but without a conservative basis, or around the idea of conservatism. However, starting from the idea that a cautious attitude in financial reporting is justified by the need to protect the investor’s interests of the reporting entity, in the past years a number of decisions were taken both at the European and international level. The motivation for choosing this topic resides precisely in the novelty of the subject. The cases described by Garuda Airline, The fact that GA is not a public company, the reason GA adopted IFRS on financial statements is questionable. Whether coercion from the government or GA’s own desires. From the results of interviews conducted by the authors of this thesis with some people in the financial section both in GA Semarang and GA Jakarta, obtained the answer that the adoption of IFRS in GA is the desire GA itself. So the adoption of IFRS in GA is an initiative of the company and not a coercion from the government. With the government’s decision on the obligation to adopt IFRS, the GA felt helped so that later adoption of IFRS in Indonesia is not too difficult because the Indonesian government itself supports the action. the GA feels the need to make IFRS as a guide in making financial statements.

Keywords: *IFRS, Directive 34, prudence, conceptual framework*