

Analysis Of Exchange Rate Differences And Foreign Currency Transactions In The Financial Statements Of PT. Smartfren Telecom Tbk

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ABSTRACT

Companies all over the world now transact in a variety of foreign currencies due to globalization and the growth of international markets. One of the leading technology companies on the Indonesia Stock Exchange, PT. Smartfren Telecom Tbk., also faces complicated foreign currency transactions. The company frequently conducts cross-border transactions, which requires careful monitoring and reporting on foreign currency transactions and exchange rate differences. The purpose of this study is to find out the difference in exchange rates and foreign currency transactions in the consolidated financial statements and to evaluate how effective the policies and practices used by PT. Smartfren Telecom Tbk. in managing foreign currency risk. The analysis method in this study uses a quantitative descriptive approach, where data is collected through a literature review of various articles, journals, literature, and other references that are relevant to data sources derived from the Annual Report and Notes on the Financial Statements (CALK) of PT. Smartfren Telecom Tbk in 2023. The results of this study show that foreign currency transactions and exchange rate differences have been treated in accordance with PSAK 221. In preparing its consolidated financial statements, PT. Smartfren Telecom Tbk. complies with PSAK 221 on the use of foreign currency. In addition, the company has recognized the exchange rate difference in the income statement precisely, so that its financial statements accurately reflect financial performance in the context of exchange rate changes.

Keywords: Exchange Rate Difference, Foreign Currency Transactions, Consolidated Financial Statements

INTRODUCTION

Companies all over the world now transact in a variety of foreign currencies due to globalization and the growth of international markets. One of the leading technology companies on the Indonesia Stock Exchange, PT. Smartfren Telecom Tbk., also faces complicated foreign currency transactions. The company frequently conducts cross-border transactions, which requires careful monitoring and reporting on foreign currency transactions and exchange rate differences.

One of the important issues that can affect the financial performance of a company is the difference in exchange rates or foreign exchange rates. Currency exchange rates can change large profits or losses, which has an impact on a company's financial statements. Exchange rate difference analysis is very important for large companies such as PT. Smartfren Telecom Tbk., which has operations and transactions in several countries, to ensure their financial reporting is clear and accurate. (Putra, 2018) (Nisa Anindyasari et al., 2023)

In the telecommunications industry such as PT. Smartfren Telecom Tbk., changes in foreign exchange rates can have a major impact on various aspects of the Company's operations. For example, changes in exchange rates can affect the price of imported telecommunications equipment, day-to-day operating costs, and revenue from services offered to overseas customers. In addition, the Company also needs to consider the impact of foreign exchange rate companies.

Recognition and measurement of various posts in the financial statements of PT. Smartfren Telecom Tbk., including current assets, current debt, fixed assets, and long-term debt, will be affected by changes in exchange rates. Financial Accounting Standards (SAK) provide specific guidelines on how companies measure and report transactions in foreign currencies, including recognizing exchange rate differences (Rahmawati, 2021)

Companies such as PT. Smartfren Telecom Tbk increasingly needs a thorough analysis of foreign currency transactions and exchange rate differences. Because significant exchange rate fluctuations can have a direct impact on a business's financial performance, from revenue to operational costs. Companies can take strategic actions to manage financial risks and improve profitability by understanding the dynamics of exchange rate changes and their impact on various financial statement posts. (Muawanah Risalatul et al., 2024)

Exchange rate analysis and foreign currency transactions are related to exchange rate monitoring and the company's risk mitigation strategy. One way to reduce the effects of exchange rate changes is to use hedging instruments. The purpose of this study is to evaluate how effective the policies and practices used by PT. Smartfren Telecom Tbk. in managing foreign currency risk. (Muftiasa et al., 2023)

In addition to having an impact on financial statements, exchange rate fluctuations have a strategic impact on PT. The company must make appropriate strategies to manage exchange rate risks, such as diversifying suppliers, using hedging instruments, and optimizing the funding structure. In addition, companies should consider natural hedging through exports or expanding into countries with more stable currencies. (Prakoso & Apriliani, n.d.)

Stakeholders need accurate and open financial reports. Therefore, it is very important to conduct a thorough analysis of the exchange rate differences and foreign currency transactions that occur in the financial statements of PT. The purpose of this study is to find out how changes in exchange rates affect the company's financial statements and how foreign currency transactions are recorded and reported in accordance with applicable accounting standards. (Sri Anjarwati, 2024)

In addition, the purpose of this study is to see the impact of regulations on the management of exchange rate risk and the disclosure of related information in PT. Smartfren Telecom Tbk. Applicable regulations in Indonesia and the best international standards will be evaluated to find gaps and opportunities to improve the quality of the company's exchange rate risk management. This analysis is expected to provide a better understanding of the company's exchange rate risk management strategy and its role in improving the financial information provided to stakeholders.

METHOD

PT. Smartfren Telecom Tbk. is the subject of research with a quantitative descriptive approach. This study uses a quantitative research method. Quantitative research, according to Sugiyono (2017: 7), is a research method based on the philosophy of positivism, as a scientific method because it has fulfilled scientific principles concretely or empirically, objectively, measurably, rationally, and systematically. Descriptive research, according to Sugiyono (2017: 147), is research that is used by describing or describing the data that has been collected as it is without intending to make generalized conclusions or generalizations that aim to analyze the data.

Data collection

The data collection method is a technique or method used by the author to collect data which will later be used by the author to obtain materials, information, and information related to this research. Data is collected through a literature review of various articles, journals, literature, and other relevant references. The data source used is the Annual Report and Notes on the Financial Statements (CALK) of PT. Smartfren Telecom Tbk in 2023. (Imron , 2019)

RESULTS AND DISCUSSION

Company Overview

The Company is the first mobile operator based on 4G LTE technology with national coverage in Indonesia. As a mobile data service provider, the Company's products focus on mobile data packages with various market segments. The Company's products have various variants of quotas and prices, so customers have the flexibility to choose a package that suits their individual needs. In addition, the Company also offers digital solution services for corporate customers.

In its activities, PT. Smartfren Telecom Tbk. uses foreign currencies in transactions of assets (including receivables) and corporate debt. The company's debt in question includes business debt, miscellaneous debt, accrual, loan debt, derivative liabilities, bond debt and other non-current liabilities. In addition, the Company has transactional currency exposure. The exposure arises when the transaction is conducted in a currency other than the functional currency of the Company and its Subsidiaries

Corporate Consolidated Financial Statements

PT Smartfren Telecom Tbk. has several subsidiaries including PT. Distribution of Sentra Jaya, PT. Smart Telecom, PT. SF Digital Frontier which is engaged in telecommunications and media that uses foreign currencies in its transactions. So that with various currencies, the company

must make value adjustments to the components of the financial statements so that all assets, liabilities, and equity can be consolidated. (Puspamurti & Firmansyah , 2020)

The main purpose of consolidating financial statements is to create the financial position, performance, and cash flow of the parent company and its subsidiaries as if they were one economic entity. This allows users of financial statements to get a more complete and accurate picture of the overall performance of the company. The preparation of PT Smartfren Telecom Tbk's consolidated financial statements requires the application of PSAK 221 to ensure that the financial statements are presented reasonably and in accordance with generally accepted accounting principles. Thus, the information in financial statements can be relied on by the people who use them to make economic decisions. (Ratna Amalia et al., 2024)

In accordance with PSAK 221, foreign currencies have been used in the consolidated financial statements of the company. PT Smartfren Telecom Tbk. converts every transaction made in foreign currency into a functional currency. This is in accordance with PSAK 221 where the PSAK explains that the consolidated financial statements are presented in Rupiah, which is the functional currency of the company and the currency of the Group's presentation. The accounts covered in the financial statements of each entity within the Group are measured using the currency of the main economic environment in which the entity operates.

This allows the company to present its finances in real time because all transactions in foreign and local currencies have been presented in the same currency, namely the functional currency of PT Smartfren Telecom Tbk. The parent financial statements of PT Smartfren Telecom Tbk. This is to find out the company's performance comprehensively. In addition, monetary assets and liabilities in foreign currencies are converted into the period-end rate, reflecting the relevant value on the reporting date.

Table 1. Monetary Assets and Liabilities in Foreign Currencies

		Foreign Currency	Equivalent (Rp)
Assets			
Cash and Cash Equivalents	USD	4.538.735	69.969
	RMB	2.585	6
Accounts Receivable	USD	290.680	4.481
Miscellaneous Receivables	USD	641	10
Number of Assets			74.466
Liability			
Accounts Payable	USD	990.837	15.275

	HKD	303.332	598
	SGD	1.094	13
	AUD	401	4
	NZD	215	2
Miscellaneous Debt	USD	1.426.156	21.986
	EUR		-
Accrual	USD	15.177.826	233.981
	SGD	751	9
	RMB	0	-
Loan Debt	USD	377.195.160	5.283.982
	RMB	0	-
Bond Debt	USD	71.806.731	1.106.973
Derivative Liability	USD	34.019.157	524.439
Other Non-Current Liabilities	USD	0	-
Total Liability			7.187.262
Net Liability			- 7.112.796

Source : CALK PT. Smartfren Telecom Tbk in 2023 (processed)

The table above shows the financial position of PT. Smartfren Telecom Tbk, which has international transactions or with foreign currencies. This table shows the different types of assets and liabilities of companies in various foreign currencies, along with their value in rupiah. Because it reflects the complexity of a company's operations and the risks associated with fluctuations in foreign exchange rates, this information is essential for consolidated financial statements. Using this analysis, people like management, investors, and financial analysts can make better decisions about managing a company's finances.

To create consolidated financial statements, it is very important to know how to convert foreign currency. Errors that occur during the conversion process can give a false picture of a business's financial performance. Therefore, businesses must use conversion methods that are in

accordance with applicable accounting standards and ensure that the data used in the conversion process is correct and up-to-date. (Alvi Nabilah et al., 2023)

Overseeing foreign currency transactions is not easy. Businesses can incur losses due to frequent fluctuations in foreign exchange rates. Additionally, different tax and accounting regulations in some countries can complicate the financial reporting process. Companies must have a good risk management system that includes the use of hedging instruments to mitigate the impact of exchange rate changes. Additionally, businesses should work closely with expert people, such as banks and financial consultants, to ensure that financial transactions and reporting run smoothly. (Aini et al., 2021)

Reporting of exchange rate differences arising from foreign currency transactions in the financial statements of PT. Smartfren Telecom Tbk.

One of the important parts of the implementation of PSAK 221 is determining the functional currency of the company, which must reflect the main currency in the economic environment in which the company operates and generates revenue. According to the principles of PSAK 221, which states that functional currencies are the currencies that most affect the selling prices of goods and services, as well as the currencies of countries in which companies carry out their main activities. In its implementation, PT. Smartfren Telecom Tbk. has been in accordance with the above statement, where the company uses Rupiah as a functional currency in its consolidated financial statements. This is because the company operates in Indonesia and generates most of its revenue in Rupiah.

PT Smartfren Telecom Tbk. has described all transactions using foreign currencies into its functional currency on the date of the transaction. This is in accordance with the rules in PSAK 221. According to the elaboration of foreign currency transactions into functional currencies must be carried out in real time because fluctuations in the exchange rate of foreign currencies can significantly affect the value of financial statements. With real-time reporting, companies can reflect more accurate and relevant values in their financial statements. (Anonymous et al., 2021)

PSAK 221 provides that exchange rate differences must be recognized in the income statement for monetary transactions described using the closing rate at the end of the reporting period. In the company's financial statements, assets and liabilities in foreign currencies are converted into functional currencies based on the closing rate in effect at the end of the period. These assets and liabilities include cash and cash equivalents, accounts receivable and other receivables, business debts and other debts, accruals, loan debts, derivative liabilities, bond debts and other non-current liabilities.

In accordance with the requirements of PSAK 221, gains or losses from exchange rate differences arising from changes in exchange rates between foreign currencies and functional currencies are recorded in the income statement. PT Smartfren in 2023 recorded a gain on the exchange rate difference of IDR 338,269 million, which was caused by the strengthening of the Rupiah exchange rate against foreign currencies. The strengthening of the rupiah against foreign currencies has a positive impact on PT. Smartfren Telecom Tbk., because the value of liabilities in foreign currencies becomes lower when converted, while assets held in foreign currencies experience an increase in value in functional currencies. (Samudra, n.d.)

On 31 December 2023 and 2022, the conversion rate, namely the central exchange rate of Bank Indonesia used by the Group, is as follows (full Rupiah value):

Table 2. Closing Exchange Rate of PT. Smartfren Telecom Tbk.

	2023	2022
Euro (EUR)	17.140	16.713
U.S. Dollar (USD)	15.416	15.731
Singapore Dollar (SGD)	11.712	11.659
Australian Dollar / Australian Dollar (UAD)	10.565	10.581
New Zealand Dollar / New Zealand Dollar (NZD)	9.797	9.944
Renminbi (RMB)	2.170	2.257
Hong Kong Dollar / Hong Kong Dollar (HKD)	1.973	2.019

Source : Annual Report of PT. Smartfren Telecom Tbk. in 2023

The table above shows the comparison of the closing exchange rate of several foreign currencies against the Indonesian Rupiah used by PT. Smartfren Telecom Tbk. in 2023 and 2022. This exchange rate is the exchange price that applies at the end of the accounting period and is used to convert transactions carried out by PT. Smartfren Telecom Tbk. from foreign currencies to Rupiah.

This table shows that throughout 2022 to 2023 there have been significant exchange rate fluctuations in several currencies. Some currencies have strengthened against the Rupiah, while others have weakened. This change will result in a profit or loss of the exchange rate difference recognized or reported in the income statement.

PT. Smartfren Telecom Tbk. and its stakeholders face significant consequences from significant exchange rate fluctuations as shown in the table above. To reduce the risk of losing money due to exchange rate changes, management takes these exchange rate fluctuations into account when creating a hedging strategy. Foreign currency conversion can cause exchange rate differences in the income statement and can affect the profitability of the company. The table above provides useful information, but the company's consolidated financial statements should be further analyzed to gain a better understanding. (Wade & Correspondence , 2024)

Thus, PT Smartfren has reported the difference in foreign currency exchange rates in the profit and loss section of the "foreign currency exchange profit (loss) - net" account. This is in accordance with the rules in PSAK 221 and allows users of financial statements to find out how exchange rate fluctuations affect business performance and how exposed the business is to exchange rate risk.

CONCLUSION

Based on the analysis of PT. Smartfren, it can be concluded that foreign currency transactions and exchange rate differences have been treated in accordance with PSAK 221. In preparing its consolidated financial statements, PT. Smartfren Telecom Tbk. complies with PSAK 221 on the use of foreign currency. To provide complete financial statements, the company converts all transactions into a functional currency, i.e. Rupiah. Transactions made in foreign

currencies are recorded at the exchange rate in effect on the date of the transaction, and monetary assets and liabilities in foreign currencies are recorded at the closing rate at the end of the reporting period.

Therefore, the company can present financial performance accurately and in real-time despite having subsidiaries operating in different currencies. With this consolidation process, businesses can see the financial performance of all group entities, including assets, liabilities, and equity. In addition, the company has recognized exchange rate differences in the income statement, as required by PSAK 221, to ensure that it handles foreign currency transactions and exchange rate changes appropriately, so that its financial statements accurately reflect financial performance in the context of exchange rate changes.

In addition, it should be noted that PT. Smartfren Telecom Tbk. has carried out its disclosure responsibilities in accordance with PSAK 221. The Company has adequately disclosed the accounting policies used to manage foreign currency transactions and the major effects of exchange rate fluctuations on financial statements. This transparent disclosure allows users of financial statements to better understand the complexity of the company's operations and the risks associated with exchange rate fluctuations.

The above analysis shows that PT. Smartfren Telecom Tbk. has complied with the applicable accounting standards to manage foreign currency transactions. However, sensitivity analysis to various exchange rate change scenarios can provide a better picture of the potential impact of exchange rate changes on profit performance.

It is hoped that this research will be useful for many parties, such as the management of PT. Smartfren Telecom Tbk., investors, creditors, and regulators. This research can be used as a basis for making better policies and methods to manage exchange rate risk. In addition, this research can be used as a reference for future studies on similar topics.

The focus of this research is on a single company and the use of historical data that may not be accurate about future situations. For future research, the scope of the study should be expanded to include more telecommunications companies, analyze longer time periods, or consider other things that may affect exchange rate risk, such as monetary policy.

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