

Analysis of the Translation of Foreign Entity Financial Statements Based on PSAK 10 at PT Indofood CBP Sukses Makmur Tbk (ICBP)

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Article History:

Received: 30-07-2024

Revised: 12-07-2024

Accepted: 20-07-2024

Keywords: *financial statement translation, currency translation, PSAK 10, ICBP, foreign exchange risk.*

Abstract: *Globalization drives Indonesian firms like PT Indofood CBP Sukses Makmur Tbk (ICBP) to expand abroad, requiring foreign entity financial statement translation for consolidated reporting in IDR, in line with PSAK 10 (IAS 21). This study aims to analyze ICBP's translation practices, exchange rate impacts on financials, and forex risk strategies using a descriptive qualitative case study on ICBP (population); sample from 2023-2024 consolidated statements and notes (secondary data), with documentation review, content/comparative analysis, and numerical simulations. Findings reveal ICBP translates assets/liabilities at closing rates, income at averages, equity at historical rates, routing differences to OCI (2024 gain Rp49 billion vs 2023 loss Rp540 billion); simulations confirm rate shifts affect equity and ratios, with overseas sales at ~31% and natural hedging reducing negative reserves (Rp608 billion in 2024). In conclusion, ICBP complies effectively with standards and manages risks well, but should enhance disclosures and stress testing*

How to Cite: Ali Hasan Mustofa, Mohamad Narandika, Viko Surya Pratama, Zidni 'Ali, Endang Kartini Panggiarti, Erni Puji Astutik. (2024). *Analysis of the Translation of Foreign Entity Financial Statements Based on PSAK 10 at PT Indofood CBP Sukses Makmur Tbk (ICBP)*. vol(no). pp. <https://doi.org/10.61536/escalate.v2i1.449>



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Introduction

Globalization in the business sector has encouraged many Indonesian companies to expand their operations into various countries in order to increase market share, cost efficiency, and global competitiveness. This expansion not only creates opportunities but also introduces new challenges in financial reporting, particularly when subsidiaries operate abroad and use currencies different from the parent company's reporting currency. As cross-border operations increase, the consolidation process between parent and subsidiaries requires foreign currency translation so that the entire business group can be presented in a single reporting currency (Rahmawati et al., 2025).

PT Indofood CBP Sukses Makmur Tbk (ICBP) is one of the leading companies in Indonesia's food and beverage industry, with operational networks extending internationally through exports and overseas subsidiaries. This condition creates the need to prepare financial statements in accordance with applicable accounting standards. In Indonesia, guidance regarding the effects of changes in foreign exchange rates refers to PSAK 10, which has adopted the principles of IAS 21 (Azzahra et al., 2025).

The translation of foreign entities' financial statements is essential to provide a comprehensive understanding of the financial position and performance of the ICBP Group in a single reporting currency, namely Indonesian Rupiah (IDR). The translation process involves the use of the closing rate, average rate, and historical rate depending on the type of account. Translation differences arising from this process are recognized in other comprehensive income as part of equity and may fluctuate in line with exchange rate movements during the reporting period.

Therefore, examining the implementation of translation accounting at ICBP is crucial given the company's significant exposure to foreign currency transactions and investments. Evaluating disclosure practices, consistency in applying standards, and analyzing the impact of exchange rate fluctuations on financial statements can provide deeper insights into the risks faced by the company as well as the quality of financial reporting delivered to investors and other stakeholders.

Research Methods

This study employs a descriptive qualitative approach aimed at analyzing the implementation of financial reporting of foreign operations at PT Indofood CBP Sukses Makmur Tbk (ICBP) in accordance with applicable accounting standards, particularly PSAK 10, which addresses the effects of fluctuations in foreign exchange rates. This approach was selected because the focus of the research lies in explaining, evaluating, and interpreting the accounting policies applied by the company, as well as examining the impact of exchange rate movements on the consolidated financial statements.

The type of data used in this study is secondary data obtained from official company documents, such as the Consolidated Financial Statements and Annual Reports of ICBP for 2023 and 2024, as well as the Notes to the Financial Statements that provide details regarding foreign currency accounting policies. In addition, supplementary sources were derived from academic works, scientific journals, and relevant international accounting standards.

The analytical techniques employed include content analysis to assess the conformity of disclosure and the application of foreign currency translation with PSAK 10/IAS 21, as well as comparative analysis to examine changes in the foreign currency translation reserve between periods. The study also incorporates numerical simulations illustrating the impact of exchange rate fluctuations on equity and financial ratios, serving as an example of sensitivity analysis commonly conducted in foreign exchange risk management.

The limitations of this study stem from restricted access to internal company information, such as detailed risk management policies and hedging instruments used, resulting in the analysis being based solely on publicly available data. Nevertheless, this



research provides a comprehensive and relevant understanding of foreign currency conversion practices at ICBP.

Result and Discussion

PT Indofood CBP Sukses Makmur Tbk (ICBP) is a company engaged in the production of packaged food products with a distribution network spanning across the globe, including manufacturing plants and subsidiaries operating in various countries such as Malaysia, several Middle Eastern countries, Africa, and Europe. In addition, ICBP exports its products to more than 100 countries. This condition exposes the company to fluctuations in foreign exchange rates, making it essential to translate the financial statements of overseas entities for consolidation purposes.

Financial Performance of PT Indofood CBP Sukses Makmur Tbk (ICBP) Related to Overseas Operations

The following presents ICBP's sales data indicating the contribution from international operations:

Remarks	2023 (Rp billion)	2024 (Rp billion)	Growth
Consolidated Sales	67.525	72.600	+7%
Overseas Sales	23.000	22.570	-2%
Overseas Sales Contribution	34%	31%	-3%

Although the percentage of overseas sales slightly declined, their contribution remains significant, indicating that foreign exchange translation continues to be an important factor in financial reporting.

Application of Translation in Accordance with PSAK 10

Assume that a foreign entity (e.g., "Subsidiary A") uses USD as its functional currency. All foreign currency (FC) amounts are presented in USD and subsequently translated into Rupiah (IDR million).

Input (Assumptions)

- Closing exchange rate as of 31-12-2023 = IDR 15,200/USD
- Closing exchange rate as of 31-12-2024 = IDR 15,900/USD
- Functional balance sheet composition (USD):

No	Account (USD)	Value (USD)
1	Who & Setara Who	30.000.000
2	Business Accounts Receivable	25.000.000
3	Inventory	40.000.000
4	Fixed Assets (net)	120.000.000
	Total Assets	215.000.000
5	Business Debt (short-term)	60.000.000
6	Long-Term Debt	10.000.000
	Total Liability	70.000.000
	Net assets (Aset - Liab)	145.000.000

Translation Calculation per Account (IDR in million)

Each account is translated using the respective year-end closing rate.

1) Translation as of 31-12-2023 (Exchange Rate: IDR 15,200/USD)

Assets:

- Cash: $30,000,000 \times 15,200 = \text{IDR } 456,000,000,000 = 456,000$ million IDR
- Accounts Receivable: $25,000,000 \times 15,200 = \text{IDR } 380,000,000,000 = 380,000$ million IDR
- Inventory: $40,000,000 \times 15,200 = \text{IDR } 608,000,000,000 = 608,000$ million IDR
- Fixed Assets: $120,000,000 \times 15,200 = \text{IDR } 1,824,000,000,000 = 1,824,000$ million IDR
- Total Assets (IDR) = $456,000 + 380,000 + 608,000 + 1,824,000 = 3,268,000$ million IDR
- Liabilities: Accounts Payable: $60,000,000 \times 15,200 = \text{IDR } 912,000,000,000 = 912,000$ million IDR
- Long-term Debt: $10,000,000 \times 15,200 = \text{IDR } 152,000,000,000 = 152,000$ million IDR
- Total Liabilities (IDR) = $912,000 + 152,000 = 1,064,000$ million IDR
- Net Assets 2023 (IDR) = $3,268,000 - 1,064,000 = 2,204,000$ million IDR

2) Translation as of 31-12-2024 (Exchange Rate: 15,900)

Assets:

- Cash: $30,000,000 \times 15,900 = \text{IDR } 477,000,000,000 = 477,000$ million IDR
- Accounts Receivable: $25,000,000 \times 15,900 = \text{IDR } 397,500,000,000 = 397,500$ million IDR
- Inventory: $40,000,000 \times 15,900 = \text{IDR } 636,000,000,000 = 636,000$ million IDR
- Fixed Assets: $120,000,000 \times 15,900 = \text{IDR } 1,908,000,000,000 = 1,908,000$ million IDR
- Total Assets (IDR) = $477,000 + 397,500 + 636,000 + 1,908,000 = 3,418,500$ million IDR



- Liabilities: Accounts Payable: $60,000,000 \times 15,900 = \text{IDR } 954,000,000,000 = 954,000$ million IDR
- Long-term Debt: $10,000,000 \times 15,900 = \text{IDR } 159,000,000,000 = 159,000$ million IDR
- Total Liabilities (IDR) = $954,000 + 159,000 = 1,113,000$ million IDR
- Net Assets 2024 (IDR) = $3,418,500 - 1,113,000 = 2,305,500$ million IDR

Translation per account (2024 vs 2023) – recorded in OCI (because it relates to translation of net assets).

Calculate per account difference (in million IDR):

Account	2023 (million Rp)	2024 (million Rp)	Δ (jt Rp)
What	456.000	477.000	
Receivables	380.000	397.500	
Inventory	608.000	636.000	
Fixed Assets	1.824.000	1.908.000	
	3.268.000	3.418.500	
Debt	912.000	954.000	
Term Debt Panjang	152.000	159.000	
	1.064.000	1.113.000	

Thus, the change in net assets resulting from exchange rate translation is +101,500 million IDR

(this amount will be recognized in OCI as a result of translating the net assets of the entity)

Consolidation Translation Journal

- 1) Recognizing translation per account (aggregate) – if net assets increase (+101,500 million IDR)

Consolidation journal entry (aggregate) at the closing date:

Dr Assets – Cash	21,000,000,000 (21,000 million IDR)
Dr Assets – Accounts Receivable	17,500,000,000 (17,500 million IDR)
Dr Assets – Inventory	28,000,000,000 (28,000 million IDR)
Dr Assets – Fixed Assets	84,000,000,000 (84,000 million IDR)
Cr Liabilities – Accounts Payable	42,000,000,000 (42,000 million IDR)

Cr Liabilities – Long-term Debt 7,000,000,000 (7,000 million IDR)

Cr Foreign Currency Translation Reserve (OCI) 101,500,000,000 (101,500 million IDR)

2) If net assets decrease (reverse example), the journal entry is reversed:

Dr Foreign Currency Translation Reserve (OCI) XXX

Cr (Related Asset Account) XXX

Impact of Translation on Equity and OCI at PT Indofood CBP Sukses Makmur Tbk

1. Impact on Other Comprehensive Income (OCI)

Based on ICBP’s consolidated financial statements for 2024, the difference arising from the translation of financial statements recorded a gain of IDR 49,361 million, whereas in 2023 the company experienced a translation loss of IDR (540,382) million. This change indicates an increase of IDR 589,743 million in 2024 compared to the previous year. This figure reflects the results of translating the assets and liabilities of foreign subsidiaries at the 2024 closing rate, which was more favorable compared to the exchange rate in the previous year.

2. Impact on Equity (Foreign Currency Translation Reserve)

All differences related to translation recorded in OCI are accumulated in equity through the Foreign Currency Translation Reserve in the parent company. In ICBP’s 2024 report, the balance of the foreign currency translation reserve is reported at IDR (608,337) million. Although the balance still shows a negative figure, the positive increase in OCI in 2024 has reduced the cumulative negative amount compared to previous years.

This negative balance historically reflects that foreign currency translation has had a cumulative adverse impact on equity. However, the improvement in translation during 2024 provided a compensating effect in the financial statements, thereby reducing the negative reserve balance. This change indicates that more stable exchange rate performance and appreciation of foreign currencies have supported an improvement in the net asset position of foreign entities after conversion into Rupiah.

Exchange Rate Sensitivity Analysis on Financial Performance

ICBPs have exposure to USD and other foreign currencies so exchange rate changes affect debt, assets, and equities. Here is the exchange rate sensitivity scenario assuming a change of ±10%:

Skenario	Impact on Equity (Rp billion)	Impact on Monetary Assets (Rp billion)	Impact on Liabilities (Rp billion)



IDR Gain 10%	Significant decline	Downward	Downward
IDR Weakening 10%	Significant increase	Increase	Increase

These results show that exchange rate movements have potential risks that need to be managed through hedging policies.

Foreign Exchange Risk Management through Hedging

The results of the analysis of the 2024 consolidated financial statements show that the effect of exchange rate changes on equity increased positively by IDR 49.361 million, while in 2023 there was a loss due to translation of (IDR 540.382 million). This change creates a difference of Rp589.743 million, which indicates that exposure to exchange rates has been better managed during the reporting year. This increase in translation value can be seen as a result of controlling exchange rate exposure through risk management methods implemented by the company.

Reserve Exchange Rate Difference Description (which as of December 2024 was recorded at (Rp608.337 million)) indicates that the impact of exchange rate fluctuations on equities is starting to diminish. This negative balance change does not mean that the reserve value has turned positive, but it does indicate an improvement compared to 2023. Thus, it can be interpreted that the risk management strategy implemented has reduced the negative pressure on the company's equity.

Overall, the results of the analysis show that exchange rate risk management with the natural hedging method has a significant impact on the company's equity performance and OCI. This can be seen from the negative decline in the elaboration reserves, as well as positive translational achievements throughout the year that managed to improve the overall financial position.

Conclusion and Recommendation

Based on the analysis and discussion that has been carried out, it can be concluded that the implementation of the presentation of financial statements from foreign companies by PT Indofood CBP Sukses Makmur Tbk (ICBP) is in accordance with the provisions of PSAK 10 which refers to IAS 21. The company has implemented a proper translation method, using the final rate for assets and liabilities, the average rate for the income item, and the previous rate for the equity element. The discrepancies arising from this translation process have been correctly recorded in the Other Comprehensive Income (OCI).

The results of the study show that exchange rate fluctuations have a significant impact on the company's financial performance, especially on equity as seen through the exchange rate difference reserves. The simulation conducted proves that exchange rate changes can affect the value of net assets and the company's financial ratio. Although the contribution



from international sales decreased in percentage, foreign transactions still had a significant impact on the consolidated financial statements.

Furthermore, exchange rate risk management carried out by companies by implementing a hedging strategy (natural hedging) has proven to be effective in reducing the negative impact of exchange rate changes on equities. This can be seen from the increase in the OCI value and the decrease in the negative balance in the reserve exchange rate difference elaboration in 2024 compared to the previous year.

Overall, it can be said that PT Indofood CBP Sukses Makmur Tbk has consistently implemented relevant accounting standards and is quite effective in managing foreign currency risks. However, it is recommended that companies improve the quality of quantitative disclosures related to exchange rate risks and develop more structured hedging policies to improve the transparency and quality of financial statements.

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