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The Implementation of PSAK 22 In Business Combinations: A Case Study of PT X Acquiring of PT Y

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Abstract
This study examines the application of PSAK 22 on business combinations, focusing on the acquisition of PT Y by PT X. PSAK 22 requires the acquisition method, mandating acquiring entities to measure and recognize identifiable assets, liabilities, and any goodwill from the transaction. Using a qualitative approach, the research employs in-depth interviews with key stakeholders and a literature review of financial reports and academic sources. It explores relevant accounting treatments under PSAK 22 and PSAK 65, ensuring accurate consolidation of assets and liabilities. The findings highlight challenges and advantages experienced by PT X in acquiring PT Y, providing practical insights for companies navigating similar transactions. This research underscores the alignment between PSAK 22 and the practical challenges faced by Indonesian companies, emphasizing regional and industry-specific considerations. The study offers a practical framework for companies applying PSAK 22, enriches academic discourse on business combination accounting in emerging markets, and supports policymakers in refining standards to address industry complexities. By bridging theoretical and practical perspectives, this research provides valuable guidance for improving the implementation of PSAK 22 in Indonesia and similar contexts.

Keywords: PSAK 22, Business Combinations, Acquisition, Fair value, Goodwill, Corporate Finance

JEL Classification: G34, G32, G38, M10, M41

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1. Introduction

Recently, as business competition has intensified, business leaders must continually develop strategies to stay competitive in their respective industries (Schymik, 2018). To strengthen its competitiveness in the market, the company undertakes various corporate actions, including mergers and acquisitions. Commensurate with the rising trends in mergers and acquisitions (M&A), numerous studies have explored the merger phenomenon (Boateng et al, 2011). Reorganizations in general, and M&A in particular, have drawn significant research interest (Anggrawal et al, 2022). Mergers and acquisitions (M&A) are business activities that involve transferring ownership, business structures, or operational units from one company to another, resulting in consolidation (Chen & Zhao, 2019). These transactions can involve companies within the same industry (horizontal mergers), companies at different stages of the production process (vertical mergers), or companies in unrelated industries (conglomerate mergers) (Cumming et al, 2023). As part of strategic management, M&A can increase or decrease the size of a company and may even alter its business model, industry, or competitive standing (Wangerin, 2019). In recent times, an increasing number of companies are using mergers and acquisitions to grow their scale and capture larger market shares. This approach is a cost-effective way to acquire top talent and enter new markets. In a globalized economy, collaboration is a crucial factor in driving economic success.

Mergers and acquisitions (M&A) are critical to enterprise development (Gao & Kling, 2008). While the number of mergers continues to rise, the success of M&As remains a subject of debate. Like other business practices, corporate reorganizations through M&A are heavily influenced by environmental factors (Cooke, 1991). When a merger occurs, both market structure and optimal environmental policies may shift, creating incentives to merge even without clear efficiency gains (Fikru et al, 2013). Various strategic and financial objectives drive mergers (Kalra et al, 2013). Economic analysis identifies two primary motivations for maximizing the value of a corporate takeover (Wiyono, 2021). A takeover may be pursued either to create synergies between the acquiring firm and the target firm or to discipline the management of the target firm (Piesse et al, 2022). In a synergistic takeover, profits are gained through efficiencies resulting from the integration of the physical operations of both the acquiring and target companies. The presence of synergy can be observed in the improved operational performance of the company. Companies engaging in mergers or acquisitions may operate within the same industry or across different industries. The choice of an acquisition target is a crucial strategic decision in business development. The process of selecting acquisition targets must be handled carefully to ensure they align strategically and offer optimal growth opportunities. One key reason for acquiring other companies is to focus on businesses that are underperforming—those that have faced a decline in financial performance over time. By acquiring these companies, the acquiring firm aims to leverage its expertise, resources, and market presence to revitalize the target company (Darmawan, 2022).

One reason for acquisitions is to achieve economies of scale, which are cost benefits a company gains by expanding its size or operations. Acquisitions create opportunities for synergies and cost savings. Synergies occur when the combined entities accomplish more together than individually (Ray, 2022). This can include operational efficiencies, a larger market share, or complementary product offerings (Beneish et al, 2022). By removing redundant functions, optimizing operations, and expanding economies of scale, companies can reduce costs and enhance financial performance. Acquiring an underperforming company can help achieve economies of scale and boost overall performance. By purchasing a smaller company or competitor, the acquiring firm can gain benefits such as cost savings through bulk buying, shared resources, and greater market influence. This also creates opportunities for turnaround efforts. By introducing new management, implementing strategic shifts, or enhancing synergies between both companies, the acquiring company can improve the acquired business’s performance and strengthen its market position (Kurniawati et al, 2024).

In recent years, Indonesia's accounting sector has undergone significant transformation through the implementation of PSAK 22 and IFRS convergence. This change has not only affected local business entities but also reinforced international accounting standards, leading to a paradigm shift in how companies manage their business combination accounting. PSAK 22, which regulates business combinations, became the first accounting standard to align with IFRS in 2010. On January 12, 2010, the Financial Accounting Standards Board adopted PSAK 22 (2010 revision), which includes standards related to accounting for business combination transactions. (Anggoro et al., 2023)

PT X is one of the largest companies in the shipping industry. With an extensive fleet, numerous ports, and a skilled workforce, it is well-equipped to compete in the era of globalization, establishing itself as a market leader. To strengthen the foundation for sustainable growth, the company's management remains committed to advancing its transformation agenda, accelerating and enhancing business operations through a business model that supports inorganic growth and the implementation of strategic partnerships with external parties. One of the agendas in its long-term strategic project is to acquire PT Y in 2022. PT Y had 53 ships in operation in 2022, distributed across various regions of the Republic of Indonesia. With this acquisition, it will enhance the portfolio of fleet strength and routes operated by PT X. The increase in fleet and routes from PT Y will optimize sailing trips and other commercial routes, ultimately boosting PT X's revenue.

As one of the leading companies in Indonesia's shipping industry, PT X bears a significant responsibility in implementing and complying with these regulatory changes. As a publicly listed company, they are tasked with adhering to evolving accounting standards, which directly impact their financial reporting and business strategy. The business combination accounting process at this company not only involves acquisitions and mergers but also reflects the rapidly changing industry dynamics and increasingly complex demands.

This article will discuss the accounting treatment in accordance with PSAK 22 and other relevant PSAK standards related to PT X's acquisition of PT Y. It will utilize a literature review and conduct interviews with employees in the accounting department of PT X to gain a broader and deeper understanding. Additionally, this study will address the challenges faced post-acquisition, including the complexities of integrating financial reporting systems, aligning accounting policies, and managing differences in organizational culture.

This research contributes to the field by providing a comprehensive analysis of PSAK 22's application in business combinations, using the case of PT X's acquisition of PT Y as a practical example. It enhances theoretical understanding by examining the alignment of PSAK 22 with IFRS and identifying challenges in financial reporting integration, goodwill recognition, and fair value measurement. Practically, it offers actionable insights for accounting professionals and corporate leaders to navigate post-acquisition complexities, including organizational culture integration and policy alignment. Managerially, the findings support strategic decision-making by highlighting the operational and economic benefits of M&A and recommending best practices for effective implementation. Additionally, it provides industry-specific insights valuable to companies in the shipping sector, serving as a reference for similar transactions and policy refinement.

2. Literature Review

Business Combination

A business combination is the integration of two or more separate companies into a single economic entity, where one company merges with another or gains control over the assets and operations of the other company (PSAK No. 22). Business combinations are recorded using the acquisition method. The consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair value on the acquisition date of all assets transferred by the Group, liabilities recognized by the Group to the former owners of the acquired party, and equity interests issued by the Group in exchange for control of the acquired party. Acquisition-related costs are recognized as expenses in the period in which they occur and services are received.

A business combination refers to a transaction or event in which an entity, known as the "acquirer," gains control over one or more businesses, referred to as "acquirees." According to PSAK 65, an investor is considered to control an investee when it is exposed to, or has rights to, variable returns from its relationship with the investee and can influence those returns through its power over the investee. Several factors may determine which entity holds control, such as equity shareholding, control of the board, and control agreements. Control is presumed when an entity holds more than 50% of the equity shares in another entity.

Business combinations can take various forms. PSAK 22, titled "Business Combinations," emphasizes the substance of the transaction over its legal structure. When multiple transactions occur between the parties involved, the overall outcome of these transactions is assessed. For instance, any transaction that is dependent on the completion of another may be regarded as connected. Judgement is necessary to decide when transactions should be considered as linked.

The identifiable assets of the acquiree (including intangible assets that were not previously recognized), as well as liabilities and contingent liabilities, are generally recorded at their fair value, in accordance with PSAK 68. If the acquisition involves less than 100% of the acquiree, a non-controlling interest exists. This non-controlling interest reflects the equity in a subsidiary that is not directly or indirectly attributable to the parent company. The acquirer has the option to measure the non-controlling interest at either its fair value or its proportionate share of the identifiable net assets, with this choice made on a case-by-case basis.

The consideration for the combination consists of cash and cash equivalents, along with the fair value of any non-cash consideration provided. Any equity instruments issued as part of the consideration are also valued at fair value. If any portion of the consideration is deferred, it is discounted to represent its present value at the acquisition date, provided that the effect of discounting is significant. Consideration only includes amounts paid to the seller in return for control of the entity, excluding amounts paid to resolve preexisting relationships, payments contingent on future employee services, and acquisition-related expenses.

A portion of the consideration may depend on the outcome of future events or the performance of the acquired entity, referred to as "contingent consideration." This contingent consideration is also recognized at its fair value at the acquisition date. The accounting treatment for contingent consideration after the acquisition date varies based on its classification as either a liability (which is re-measured to fair value during each reporting period and recorded through profit and loss) or as equity (which is not subject to subsequent remeasurement). The classification as either a liability or equity is determined according to the guidance provided in PSAK 50, titled "Financial Instruments: Presentation."

Goodwill is recognized for the future economic benefits resulting from assets acquired that cannot be individually identified and recognized separately. It represents the difference between the consideration transferred, the value of any non-controlling interest in the acquiree, and the fair value of any prior equity interest in the acquiree at the acquisition date, minus the fair value of the identifiable net assets acquired. If the non-controlling interest is valued at its fair value, goodwill encompasses amounts related to the non-controlling interest. Conversely, if the non-controlling interest is measured based on its proportionate share of identifiable net assets, goodwill includes only the amounts attributable to the controlling interest, specifically the parent company.

Goodwill is recognized as an asset and is tested for impairment annually or more frequently if there are indications of impairment. In rare cases, such as a bargain purchase due to a distressed sale, it is possible that no goodwill will arise from the transaction, and instead, a gain will be recognized. Business combinations involving entities under common control are accounted for using the predecessor accounting approach as outlined in PSAK 38, "Business Combinations of Entities under Common Control." Essentially, the acquirer does not measure the assets and liabilities of the acquiree at fair value. The difference between the transfer price paid and the carrying value of the net assets acquired is recorded as part of the acquirer's Additional Paid-in Capital account within equity and is not recycled to profit or loss in the future.

Table 1. The differences in the revised PSAK 22

Subject	PSAK No. 22 (1994) refers to IAS No. 22.	PSAK No. 22 (Revised 2021) refers to IFRS No. 3.
Scope	All business combinations, except: - Under common control - Formation of joint ventures	All business combinations, except: - Under common control - Formation of joint ventures - Acquisition of assets or asset groups that are not part of a business
Accounting Method and Related Costs	Accounting Method: - Purchase method - Pooling of interest Related Costs: - Expense in the current period	Accounting Method: - Purchase method Related Costs: - Part of business combination costs
Measurement and Step-by-Step Acquisition	Measurement of assets and liabilities: -Fair value guidance Step-by-step acquisition: - Fair value at the date of ownership acquisition - The difference between the current fair value and the previous fair value is presented as revaluation	Measurement of assets and liabilities: - Fair value and refers to other accounting standards (SAK) Step-by-step acquisition: - Re-measurement of previous ownership at the fair value on the acquisition date - Gains or losses are recognized in the profit or loss statement
Goodwill	Goodwill: - Acquisition cost - Fair value of assets and liabilities - NCI (Non-Controlling Interest): based on the carrying value of assets and liabilities. Goodwill is amortized over 5 to 20 years.	Goodwill: - Acquisition cost - Fair value of assets and liabilities - NCI: based on fair value or the proportional share of identifiable net assets. Goodwill is tested for impairment at the end of each period.
Negative Goodwill	Negative goodwill: - Recognized as deferred income and amortized over 20 years Note: Negative goodwill is the excess of the acquirer's share of the fair value of the net assets over the acquisition cost of the acquired subsidiary.	Negative goodwill: - Recognized as a gain in the current period.
Non-controlling interest	Based on the carrying amount of net assets.	Based on fair value, or Based on the proportion of identified net assets.

Source: ED PSAK 22 (revised 2021) on Business Combinations.

Consolidated Financial Statement
The principles governing consolidated financial statements under IFAS are detailed in PSAK 65, titled "Consolidated Financial Statements." This standard provides a single definition of control. The aim of PSAK 65 is to establish guidelines for presenting and preparing consolidated financial statements when an entity has control over one or more entities. It outlines the conditions under which an entity must prepare consolidated financial statements, defines the principles of control, describes how to apply these principles, and specifies the accounting requirements for preparing consolidated financial statements (PSAK 65 para 2). The fundamental principle is that control exists, necessitating consolidation, only when the investor has power over the investee, is exposed to variable returns from its engagement with the investee, and can use its power over the investee to influence those returns.

According to PwC (2020), in challenging situations, the specific facts and circumstances will influence the analysis conducted under PSAK 65. This standard does not provide clear-cut criteria and necessitates the consideration of various factors, including the presence of contractual arrangements and rights held by other parties, to evaluate control. Entities that qualify as investment entities are not required to consolidate the underlying investees they control; instead, they report most controlled investments at fair value through profit or loss in accordance with PSAK 71. Furthermore, PSAK 65 does not include any disclosure requirements, which are instead found in PSAK 67, titled "Disclosure of Interest in Other Entities.

PSAK 22
DSAK-IAI has revised PSAK 22 to align it with the 2019 Conceptual Framework for Financial Reporting, which assists in determining what constitutes an asset or liability in a business combination. Previously, PSAK 22 was based on the 2016 Conceptual Framework for Financial Reporting. Furthermore, the revised PSAK 22 clarifies the relationships between PSAK 22, PSAK 57, and ISAK 30.

A new exception has been added to PSAK 22 regarding liabilities and contingent liabilities. This exception indicates that for specific types of liabilities and contingent liabilities, entities applying PSAK 22 should refer to PSAK 57 or ISAK 30 rather than the 2019 Conceptual Framework for Financial Reporting. In the absence of this exception, an entity could potentially recognize certain liabilities in a business combination that would not be accepted under PSAK 57. As a result, immediately following the acquisition, the entity would have to derecognize those liabilities and report a gain that does not accurately represent an economic advantage. The amendment also makes it clear that the acquirer should not recognize contingent assets, as defined by PSAK 57, at the time of acquisition.

The new exception rules in PSAK 22 mandate that the acquiring entity must recognize provisions and contingent liabilities at the acquisition date according to the recognition criteria outlined in PSAK 57 or ISAK 30. Consequently, the recognized amount of assumed liabilities in business combination accounting will be limited to those that strictly meet the requirements of PSAK 57 or ISAK 30. Furthermore, contingent assets should still not be recognized. An entity must implement these amendments to business combinations for acquisitions occurring on or after the start of the first annual reporting period that begins on or after January 1, 2022. Early adoption of these amendments is allowed. If an entity chooses to apply these amendments to an earlier period, it must disclose this information.

3. Data and Method
The research utilized a qualitative design, combining in-depth interviews, non-participant observation, and an extensive literature review drawn from various sources, including prior research papers, corporate and government regulations, applicable accounting standards, particularly Indonesian Financial Accounting Standards (PSAK), and best practices from several companies. Initially, all meetings were observed to deepen insights into decision-making processes and the accounting treatment of PT X's acquisition of PT Y. A purposive sampling method was

employed to select informants based on insights gathered during the observations. Participants consisted of members from PT X's Accounting Department. The qualitative method was chosen for this research because it provides a deeper understanding of the intricate processes and contextual factors involved in PT X's acquisition of PT Y. This approach allows for a more nuanced exploration of the challenges and complexities in implementing accounting standards, integrating financial reporting systems, and aligning organizational practices post-acquisition.

4. Results & Discussion

Financial Statement Consolidated PT X

The consolidated financial statements of PT X have been prepared and presented in accordance with the Financial Accounting Standards in Indonesia, which include the Statement of Financial Accounting Standards (PSAK) and the Interpretation of Financial Accounting Standards (ISAK) issued by the Financial Accounting Standards Board of the Indonesian Institute of Accountants (DSAK-IAI). In accordance with PSAK 65, the financial statements of PT Y will be consolidated into the financial statements of the Group effective from the acquisition date. This means that all assets, liabilities, and equity of PT Y will be combined with the financial statements of PT X, and the consolidated results will reflect the financial position and performance of the entire Group following the acquisition. The amount of operating revenue and comprehensive loss before income tax of PT Y included in the consolidated statement of comprehensive income for the year ended December 31, 2022. There is the detailed breakdown of PT X’s financial activities related to the acquisition of PT Y below:

Table 2. Financial Overview of PT X Acquisition of PT Y and Its Impact on 2022 Consolidated Financial Statements

Category	Amount (IDR)	Explanation
Operating Revenue of PT Y (2022)	IDR 497,354,376,620	This is the total operating revenue of PT Y for the year ended December 31, 2022, included in the consolidated statement of comprehensive income. This figure represents the total income from PT Y's primary operations.
Comprehensive Loss Before Income Tax of PT Y (2022)	IDR 68,651,982,850	This is the comprehensive loss before income tax for PT Y for the year ended December 31, 2022. It shows that PT Y experienced a loss in its operations, which will be reflected in the consolidated financial results of PT X.
Operating Revenue of PT Y (Total 2022)	IDR 534,254,341,448	This represents the total operating revenue of PT Y for the entire year. This number includes all income generated from its activities, which is also included in the consolidated financial results.
Comprehensive Loss of PT Y (Total 2022)	IDR 126,218,583,196	This represents PT Y's overall comprehensive loss for the year. It accounts for the total losses, including operating and non-operating losses, which will be consolidated with PT X's financials.

Net Cash Used for Investing Activities (PT X, 2022)	IDR 1.70 trillion	PT X's net cash used for investing activities increased significantly in 2022. The amount represents an increase of 219.89% compared to 2021 (IDR 529.21 billion). This increase was mainly due to PT X's payment for acquiring PT Y, which amounted to IDR 837.87 billion.
Net Cash Provided by Financing Activities (PT X, 2022)	IDR 382.20 billion	PT X's net cash provided by financing activities saw a significant increase of 2,022.01% compared to 2021 (IDR 18.01 billion). The increase was mainly due to PT X's receipt of IDR 600.00 billion in bank loans.

Application of Business Combination in the Acquisition of PT Y by PT X

On the acquisition date in 2022, the identified assets acquired and the liabilities assumed are recognized at fair value, except for certain assets and liabilities that are measured in accordance with the relevant standards. On the acquisition date, goodwill is measured at the acquisition cost, which is the excess of (a) the total value of the consideration transferred and the amount of any non-controlling interest over (b) the net amount of the identifiable assets acquired and the liabilities assumed. If the consideration is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized in the income statement as a gain from the acquisition of the subsidiary, provided that management has first reassessed whether it has accurately identified all the acquired assets and assumed liabilities, as well as recognized any additional identifiable assets or liabilities during that review.

Business valuation is essential in mergers and acquisitions. The bidder is interested in determining the true value of the target to avoid overpaying, while the target seeks to understand the bidder's value in stock-financed deals to avoid being underpaid. Therefore, valuation plays a crucial role in deal-making within M&As. Studies in this area examine acquirer overvaluation (Bi & Gregory, 2011; Botsari & Meeks, 2008) and market timing as factors driving acquisitions, particularly in stock-financed transactions (Conn et al., 2005).

After initial recognition, goodwill is measured at its carrying amount less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated from the acquisition date to each Cash-Generating Unit (CGU) of the Group that is expected to benefit from the synergies of the business combination, regardless of whether other assets or liabilities of the acquired entity are included in that Cash-Generating Unit. If goodwill has been allocated to a Cash-Generating Unit (CGU) and specific operations of that CGU are disposed of, the goodwill associated with the disposed operations is included in the carrying amount of the operation when determining the gain or loss on the disposal. The disposed goodwill is measured based on the relative value of the discontinued operations and the portion of the Cash-Generating Unit that is retained.

On February 22, 2022, the Company acquired 100% of the shares of PT Y from a third party for a total acquisition value of IDR 1,272,000,000,000. This amount consists of IDR 892,000,000,000 for the share acquisition and an additional paid-in capital of IDR 380,000,000,000 aimed at business expansion, which has strategic value and supports the Group's business activities. The share acquisition value of IDR 892,000,000,000 was paid directly from the Company's funds amounting to IDR 243,500,000,000 and through a bank loan of IDR 600,000,000,000. The remaining amount of IDR 48,500,000,000 is still outstanding and recorded as accounts payable. The additional paid-in capital of IDR 380,000,000,000 was used to purchase 7 ships for IDR

298,000,000,000 and to settle the acquisition debt of 4 ships amounting to IDR 82,000,000,000 that will be undertaken by PT Y. The following table summarizes the identified assets acquired and liabilities assumed at the acquisition date:

Table 3. Key Financial Details of PT X's Acquisition of PT Y

Item	Amount (IDR)
Total acquisition value	1,272,000,000,000
Share acquisition value	892,000,000,000
Paid directly from PT X's funds	243,500,000,000
Bank loan used for acquisition	600,000,000,000
Outstanding accounts payable	48,500,000,000
Additional paid-in capital	380,000,000,000
Amount used to purchase 7 ships	298,000,000,000
Amount to settle acquisition debt	82,000,000,000

Challenges Emerging Post-Acquisition

Following the acquisition of PT Y, PT X encountered several challenges, both economic and non-economic. Economically, PT Y reported a substantial loss of IDR 126 billion during the acquisition process in 2022, posing a significant obstacle for PT X in restructuring PT Y’s business operations to enhance efficiency and mitigate future losses. To address these financial challenges, PT X strategically appointed trusted individuals in key positions within PT Y, aiming to implement PT X’s best practices and cultivate a positive work culture. This strategy had a significant impact on PT Y's performance. According to PT Y's audited financial statements for 2023, the company recorded a profit of IDR 9 billion, a notable recovery after posting a loss in the previous year. While PT Y experienced significant growth in 2023, this increase must be continuously evaluated to ensure optimal profitability. In the context of mergers and acquisitions (M&A), not all studies have concluded that M&A is an effective tool for inorganic growth. Several studies have found that the post-merger performance of the acquiring firm often declines, and the expected synergies do not materialize. For instance, Dickerson et al (1997) found no evidence that acquisitions have a net positive effect on firm performance, as measured by profitability. In fact, they discovered that acquisitions tend to have a systematically detrimental impact on firm performance. Similarly, Ghosh (2001) compared pre- and post-acquisition operating cash flows and found no evidence of improved operating performance post-acquisition. Langhe and Ooghe (2001) examined small, unquoted firms and found no significant improvement in operating performance following mergers. Sharma & Ho (2002), studying 36 Australian acquisitions between 1986 and 1991, concluded that corporate acquisitions did not lead to significant post-acquisition improvements in operating performance. Andre et al (2004) examined the long-term performance of 267 Canadian M&As from 1980 to 2000, finding that Canadian acquirers significantly underperformed over the three-year post-acquisition period, with cross-border deals performing particularly poorly. Pazarskis et al (2006), studying M&As between 1998 and 2002, found strong evidence that firm profitability decreased after the merger or acquisition event. Singh & Mogla (2008), analyzing 56 firms that merged between 1994 and 2002 in India, found a significant decline in profitability post-merger.

On the other hand, some unrest has emerged within PT Y regarding employee remuneration. PT X, as the parent company, has operated for a long time and established itself as a market leader in the industry, offering its employees better compensation than PT Y. Consequently, some employees at PT Y are now seeking equal remuneration with PT X. This situation presents a double-edged challenge for PT X. Increasing salaries would raise the company’s operational expenses, potentially impacting consolidated profits. However, not addressing the salary disparity could lead to social tension, which may, in turn, affect PT Y employees' performance. This aligns with the statement by Özer et al. (2024) based on Agency Theory, which suggests a potential conflict of interest between shareholders and management due to differing objectives. While shareholders aim to maximize their wealth, management tends to focus on maximizing their own benefits. Thus, decisions that may benefit management could conflict with the goals and interests of shareholders. A fair remuneration system can bridge the gap between management and shareholders, helping managers align with the long-term interests of the company while working in harmony with shareholder objectives (Filatotchev & Allcock, 2010).

The financial consolidation process for PT X has become increasingly complex due to PT X and PT Y using different systems. Consolidation would be more streamlined if both companies adopted a unified system. However, this approach poses challenges. Implementing a single system would require a significant investment in licensing costs, and PT Y employees would also need time to adapt to PT X's system. As a result, PT X and PT Y continue to operate on different systems. To facilitate the consolidation process, PT X utilizes a business planning and consolidation system to simplify and expedite the financial reporting consolidation.

6. Conclusion

In conclusion, mergers and acquisitions (M&A) are essential strategies for companies looking to grow, expand market share, and enhance operational efficiencies. The acquisition of PT Y by PT X highlights the significance of strategic alignment in M&A activities, allowing PT X to leverage its extensive resources and market presence to enhance its fleet and operational routes. By adhering to relevant accounting standards, such as PSAK 22 and PSAK 65, PT X effectively navigates the complexities of business combinations, ensuring that all assets and liabilities are accurately consolidated into its financial statements. This strategic move positions PT X to capitalize on synergies that drive long-term value creation while revitalizing an underperforming company.

The acquisition of PT Y by PT X demonstrates how mergers and acquisitions (M&A) can drive growth, enhance market share, and improve operational efficiencies. By aligning strategically and adhering to relevant accounting standards like PSAK 22 and PSAK 65, PT X successfully integrates PT Y's assets, improving its fleet and operational routes. This acquisition creates synergies, leading to cost savings, better performance, and increased revenue. The careful selection of PT Y, an underperforming company, enables PT X to leverage its resources for revitalization and growth. Overall, the acquisition strengthens PT X's market position and ensures its long-term success in a competitive global market.

Limitations and avenue for future research

This study is limited by its focus on a single case study, which restricts generalizability to broader contexts. For future research, the focus could be directed toward State-Owned Enterprise (SOE) holding companies. The rapid increase in their formation undoubtedly brings significant impacts to various stakeholders and involves increasingly complex regulatory applications. This would provide valuable insights and support studies on the establishment of an SOE super holding, such as Danaantara. The results of this research emphasize the importance of strategic planning, careful selection of acquisition targets, and adherence to relevant accounting standards, particularly in the context of mergers and acquisitions (M&A). Additionally, the study underscores the value of understanding regulatory frameworks like PSAK 22 and PSAK 65, which can help avoid potential financial misreporting and support the sustainable growth of the company

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