The localised accounting environment in the implementation of fair value accounting in Indonesia

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Abstract

Purpose – This case study aims to investigate the role of actors in the implementation of fair value standards in an emerging country, Indonesia.

Design/methodology/approach – This study uses semi-structured interviews with important actors within the local accounting profession, standard setting and regulatory environment, to analyse fair value accounting implementation. This study also incorporates information from press releases and newspapers, to provide a more comprehensive picture of fair value implementation.

Findings – First, professionals undertake routine actions, cultivate interests and strategically navigate their environment during the process of fair value standard implementation. Second, the role of appraisers becomes more prominent during this process. Third, government involvement is significant in ensuring the successful implementation of global accounting standards.

Research limitations/implications – First, differing localised contexts, including communities and actors, may shape how an emerging country undertakes the diffusion and implementation of global standards, which in turn can also lead to institutional change. Second, government involvement is crucial in supporting the implementation of global accounting standards within emerging economies. Third, implementing market-based measurements within emerging economies characterised by a lack of an active and liquid market may present challenges.

Practical implications – Third, implementing market-based measurements within emerging economies characterised by a lack of an active and liquid market may present challenges.

Originality/value – This study applies the concept of Institutional Work within Institutional Theory to explain how fair value standards are implemented within a localised emerging economy characterised by unique actor roles and goal-directed action.

Keywords Local context, Actors, Institutional work, Fair value, Indonesia, Emerging country, IFRS implementation

Paper type Research paper

1. Introduction

Prior studies have explored how International Financial Reporting Standards (IFRS) have been implemented across different national settings (Aburous, 2019; Guerreiro *et al.*, 2012; Hassan *et al.*, 2014; Irvine, 2008), including more specifically IFRS 13 fair value measurement, being part of the cohort of global accounting standards (Barker and Schulte, 2017; Cairns *et al.*, 2011; Peng and Bewley, 2010). However, few studies have investigated the

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process by which fair value is institutionalised within specific national contexts. This study investigates fair value implementation within a localised Indonesian environment. Previous studies have examined the broader process of accounting standard implementation (Aburous, 2019; Albu *et al.*, 2011; Guerreiro *et al.*, 2015; Irvine, 2008) but few have focused on fair value implementation more specifically. Using the concept of Institutional Work inherent within Institutional Theory (Lawrence and Suddaby, 2006; Perkmann and Spicer, 2008), this paper attempts to explain the role of actors, specifically preparers, auditors, professional bodies and regulators, each of whom have vested interests, struggle for power, seek their own legitimacy and undertake actions to change institutions during fair value implementation.

Because of extensive requirements for estimation and judgement, fair value is controversial (Chong *et al.*, 2012) and challenging, not only in advanced markets such as Europe (Gebhardt, 2012) but also in emerging economies such as China (He *et al.*, 2012). To ensure that international accounting standards are applicable within the local context, local actors are critical throughout the implementation process. Institutional theory explains how global accounting standards are adopted and diffused by countries around the world. This study applies "Institutional Work" (Lawrence *et al.*, 2009) and considers the local accounting context (Gernon and Wallace, 1995) in the process of implementation. Institutional work argues that it is the action of the actors that influence how accounting phenomena are implemented and how institutions change.

With regard to international accounting standards implementation, country-specific environment factors must be considered in order for accounting systems to be successfully established (Zeghal and Mhedhbi, 2006). Indonesia is an emerging country with an increasing number of companies listed on the Indonesian stock exchange. In spite of its significant growth, Indonesia still possesses an "inefficient" capital market. Implementing fair value measurement in inefficient markets becomes more problematic, given the difficulty in generating market values from quoted prices, which are often not active or liquid and where prices do not always reflect "arm's length transactions" among market participants (Sinaga, 2015). Moreover, fair value measurement requires extensive judgement and estimation, the accuracy of which depends largely upon education, training and experience. Karampinis and Hevas (2011) identify the local context as a "non-favourable environment". Indonesia's environment makes fair value implementation challenging, given that it is largely populated by local actors who actively seek legitimacy and pursue self-interest (Albu *et al.*, 2014).

Based on the social, cultural and economic landscape that will likely shape fair value implementation in Indonesia, this study seeks to answer the following question:

RQ1. What are the purposive actions of actors such as professionals, professional bodies and regulators in fair value implementation within an Indonesian context?

To answer the research question, this study undertook a qualitative, in-depth research approach. First, this study highlighted the importance of professional collaboration involving appraisers, preparers and auditors. Collaboration becomes a routine activity that helps professionals navigate their environment. Second, fair value implementation enhances the prominent roles and actions of appraisers, which in turn creates and increases their legitimacy. Their skills and competencies are critical to support successful fair value implementation. Third, the involvement of the government is also significant in fair value implementation. The Indonesian government establishes laws, rules and regulations to reinforce the roles of professionals, creating an alignment of actor interests that support successful IFRS fair value implementation.

These findings make an important contribution to the accounting literature in a number of ways. *First*, this study investigates how actors conduct purposive actions during the implementation of global standards within local contexts. Previous studies have applied institutional theory and focused on isomorphism (Alon and Dwyer, 2014; Hassan *et al.*,2009; Irvine, 2008; Kim, 2016) and institutional work (Aburous, 2019) to explain IFRS adoption and implementation. Exploratory studies related to implementation of fair value (Barker and Schulte, 2017) and goodwill impairment (Huikku *et al.*, 2017) have been conducted to provide an understanding of the dynamic process of accounting standard implementation. This study, however, focuses on exploration of how actors, also having interests and pursuing their own legitimacy, conduct purposive actions to change institutions (Lawrence and Suddaby, 2006) during the process of fair value implementation.

Second, this study analyses the involvement of various actors who engage in political, technical and cultural work (Chiwamit *et al.*, 2014; Perkmann and Spicer, 2008) during implementation of fair value standards. Actors involved in the implementation of accounting standards include government, professional bodies and professionals. Government performs a critical function through political work. Meanwhile, professional bodies and professionals conduct purposive actions through technical and cultural work, ensuring that IFRS-based standards and fair value are applicable within particular contexts.

Third, fair value implementation has enhanced the significant role of appraisers (Griffith *et al.*, 2015; Joe *et al.*, 2017; King, 2009), by improving their legitimacy. Appraisers are critical in ensuring that fair values are practicable within a particular context. When a quoted market price is limited, such as is often the case with emerging country's which lack sophistication, activity and liquidity, the involvement of a valuation expert is critical in providing a reliable estimation and measurement of fair value.

2. Institutional setting and literature review

2.1 International Financial Reporting Standards implementation in Indonesia

Since 2012, Indonesia has been converging its accounting standards towards IFRS and public companies have been required to apply those standards for their financial reporting. The *Dewan Standar Akuntansi Keuangan* (DSAK) [Indonesian Financial Accounting Standards Board] have sought to make certain adjustments to *Pernyataan Standar Akuntansi Keuangan Indonesia* (PSAK) [Statement of Indonesia Financial Accounting Standards] based on IFRS, to ensure greater applicability within an Indonesian context. The implementation of IFRS-based standards is part of Indonesia's commitment as a member of the G20. Moreover, being actively involved in the ASEAN Economic Community (AEC), Indonesia needs to demonstrate good accounting practice through more accurate, timely and comprehensive financial statement information, to compete with its ASEAN trading partners. Adoption and implementation of IFRS enhances the credibility of Indonesia (Ikatan Akuntan Indonesia, 2010), in turn stimulating investor confidence. The *Ikatan Akuntan Indonesia* (IAI) [Institute of Indonesia Chartered Accountants], as a standard setter, began its process to adopt IFRS gradually, by converging and then translating IFRS into the Indonesian language, Bahasa.

Since 2015, Indonesia has been implementing IFRS 13 *Fair Value Measurement* codified as PSAK 68, which is expected to lead to Indonesian companies having more relevant and reliable information regarding financial performance. Fair value was applicable to banking and other financial institutions with respect to financial instruments prior to 2015. However, the application of these standards is problematic, given that many shares are inactive and not many assets are actively traded. As a result, market value is difficult to obtain in an illiquid market.

IFRS, and consequently PSAK 68, are only applicable to public companies. Out of 40,000 companies in Indonesia, only around 600 of those are listed publicly on the Indonesian Stock exchange. Companies other than banking and financial institutions are often not exposed to sophisticated financial instruments, hence their exposure to fair value is largely confined to fixed or intangible assets subject to revaluation. In spite of its challenges, implementation of fair value accounting in Indonesia commenced in 2010 when the Financial Service Authority required the banking industry to measure via IFRS 9 *Financial Instruments*. Banking financial instruments include bonds or debt securities, including Central Bank of Indonesia certificates, treasury bills, shares, mutual fund investments and negotiable certificates of deposits and derivative receivables and payables.

Indonesia is now in the second phase of IFRS convergence, the objective of which is to minimise the gap between PSAK and IFRS to one year. For example, IFRS issued or updated in 2014 were implemented in Indonesia in 2015. International Financial Accounting Standards of Indonesia (IFAS) [1] will be the reference to IFRS-based standards (Ikatan Akuntan Indonesia, 2021). Soon, Indonesian companies may choose among those standards which fit their business characteristics and objectives.

As part of its commitment to the implementation of IFRS-based standards, the government has issued a draft *Undang-Undang Pelaporan Keuangan* (UU PK) [Financial Reporting Act] which seeks to provide legal backing for accounting practices in Indonesia. This will regulate the financial reporting practices of companies, including human resources qualifications involved in the process of financial reporting (Ikatan Akuntan Indonesia, 2015b).

Regarding enforcement, regulations covering professional work and financial reports include Public Accountant Law No. 5 year 2011 regarding State Registration for public accountants. Regulations covering the role, services and responsibility of appraisers lay with new Finance Ministry Regulations [2]. The *Pusat Pembinaan Profesi Keuangan* (PPPK) [Finance Profession Supervisory Centre], under the auspices of the Ministry of Finance (MOF), has been appointed to oversee the work of professionals, including their registration, training and suspension.

2.2 Fair value accounting and actors

The current financial reporting environment has increased concerns relating to fair value measurement (Christensen *et al.*, 2012). For practicality, fair value needs to be institutionalised into local settings. The role of actors as agents is important in this institutionalisation process (Battilana *et al.*, 2009; Lawrence and Suddaby, 2006). Albu *et al.* (2014) suggest that regulators, professional bodies, auditors and users, all have significant roles in ensuring that global accounting standards are both practicable and institutionalised. Institutionalisation of accounting and management practices involves various actors having the necessary skills when conducting institutional work (Lawrence and Suddaby, 2006; Perkmann and Spicer, 2008).

Some studies have explored how accounting standards are implemented and translated into practice (Aburous, 2019; Barker and Schulte, 2017; Huikku *et al.*, 2017). Aburous (2019) uses institutional work to explain how actors play significant roles during IFRS implementation within a Jordanian context. He explains the motives and practices of accountants and preparers in protecting their interests. Barker and Schulte (2017) analyse the applicability of fair value measurement in Germany, Switzerland and the UK. Through interviews with preparers, they find that there is collective intentionality to use experts in reaching acceptable fair value representation. Huikku *et al.* (2017) focus on goodwill impairment calculation and reliability using Actor Network Theory (ANT). Using interviews with participants consisting of preparers, external experts, auditors, analysts, creditors, investors and academics, they find that the calculation of goodwill impairment is supported by human and non-human actors. Both Barker and Schulte (2017) and Huikku *et al.* (2017) highlight the importance of external experts and collaboration among professionals in calculating complex estimations.

Implementing fair value is challenging because of the extensive judgement and estimation involved (Laux and Leuz, 2009). It bears high uncertainty because of its estimation, especially in the absence of a liquid market (Christensen and Nikolaev, 2013). Fair value is based on quoted unadjusted prices in active markets, observed from market transactions. When a market is illiquid or where no market exists, preparers will execute professional judgement and estimations using inputs other than quoted prices, or unobservable inputs based on models, assumptions or valuation techniques. Those estimations contain uncertainties and require postulations from management (Bratten *et al.*, 2013; Griffith *et al.*, 2015).

Implementing fair value has required managers to exercise a greater degree of professional judgement. The recognition, measurement and disclosure issues associated with fair value often involve a degree of subjectivity by preparers, which will affect the quality of financial reporting. The greater use of fair value as a contemporary valuation mechanism, as opposed to traditional historical cost, has changed the way accountants and professionals think about what represents economic reality in accounts (Barker and Schulte, 2017; Jeppesen and Liempd, 2011). Auditing, in turn, aims to verify the "truth" of these accounts.

The growing prominence of fair value in financial reporting also increases audit significance, as auditors engage with more complex estimates. Barker and Schulte (2017) suggest that an auditor is perceived as an expert in determining fair value. However, the subjectivity and uncertainty of fair value estimates often create difficulties for auditors who also have capabilities and roles to challenge the valuation assumptions provided by preparers (Griffith *et al.*, 2015; Lee and Park, 2013) or the estimates provided (Griffith *et al.*, 2015), which in turn influence and shape audit assurance (Christensen *et al.*, 2012). Not comprehending and critically challenging fair value assumptions and estimations results in auditors' failing to verify valuation techniques (Griffith *et al.*, 2015).

When management's ability and skill in applying fair value is limited, the auditor will rely on a specialist appraiser (Glover *et al.*, 2019). This also occurs when auditors lack knowledge and expertise in fair value measurement (Jeppesen and Liempd, 2011; Power, 2010), which in turn endangers auditor credibility (Jeppesen and Liempd, 2011). As fair value extensively involves an appraiser's professional judgement (King, 2009), their role has become more prominent. Prior studies have examined the use of specialist third parties in auditing (Griffith *et al.*, 2015; Joe *et al.*, 2017). Griffith *et al.* (2015) found that auditors failed to notice inconsistencies in estimates and did not provide an overall critical analysis of the audit and placed an over reliance on appraisers (Glover *et al.*, 2019) and specialists to identify, evaluate and challenge critical assumptions, which led to lower audit quality.

The legal and regulatory systems are also important environmental factors supporting the enforcement mechanism, which defines acceptable behaviour and outlines penalties for non-compliance (Bratten *et al.*, 2013). Regulators establish rules and conduct supervision, which moderate the behaviour of financial report preparers. Regulators also oversee auditors, which improves audit quality and complex fair estimates (Bratten *et al.*, 2013). Accounting regulation involves the creation, implementation, supervision and control of accounting standard implementation. Regulators are part of the national regulatory system consisting of several bodies responsible for standard setting, being an organisation responsible for aligning the accounting profession and implementing standards, an organisation aligning the auditing profession and supervising the application of standards and finally an independent body supervising the activities of the auditing profession (Colasse and Pochet, 2009). Because accounting regulation is part of the national regulatory system, harmonising regulatory and accounting policies (standards) is important in supporting economic development and fostering financial stability (Ojo, 2011). Moreover, the role of professional accounting associations and government as a regulator influence the way accounting rules are brought into practice (Devi, 2010).

Accounting and auditing professional associations are often self-regulatory agencies who have their own authority to develop and oversee codes of behaviour/conduct and practice. This includes developing and establishing ethical, accounting and auditing standards, as well as the exercise of professional competence (Albu *et al.*, 2014). Walker (1987) conducted an Australian study and found that the profession has a significant influence in the development of accounting standards and standards boards. Using Bangladesh as a local setting, Bhattacharjee (2009) found that the development of accounting standards and systems was influenced by the accounting profession and its representative association.

As our study demonstrates, actors conduct purposive actions and seek legitimacy during fair value institutionalisation in Indonesia. They involve government (regulatory bodies), professional bodies and professionals who leverage resources and skills and work collectively to change existing institutions. This study finds that successful implementation of fair value in Indonesia requires the role of local actors. Moreover, this study highlights the importance of appraisers and other professionals in making fair value applicable in an Indonesian context.

2.3 Institutional theory, agency and institutional work

There has been increased emphasis on institutional studies related to the explanation and understanding of actor roles in transforming, affecting and maintaining institutions (Lawrence and Suddaby, 2006) even though some studies applied isomorphism within institutional theory (Alon and Dwyer, 2014; Hassan *et al.*, 2014; Irvine, 2008; Kim, 2016). Eisenstadt (1980) introduced the notion of "institutional entrepreneurship" to illustrate the role of actors in providing direction for structural change. Institutional entrepreneurs are defined as organised actors "who have an interest in particular institutional arrangements and leverage resources to create institutions or to transform existing ones" (Maguire *et al.*, 2004). This notion was developed and applied as an institutional analysis by DiMaggio and Powell (1983) to define actors as agencies having sufficient resources in shaping institutions.

Institutional entrepreneurship provides the foundation that focuses on the way actors and their interests influence their institutional context (Garud *et al.*, 2007; Perkmann and Spicer, 2008). However, institutionalisation cannot be achieved by a single institutional entrepreneur (Greenwood *et al.*, 2006). Lawrence and Suddaby (2006) suggest going beyond institutional entrepreneurship, by including institutional work that explains the purposive actions of actors in changing and shaping institutions. Creating a new institution requires a wide range of actors having the skills and resources to act as an entrepreneur to conduct institutional work (Leblebici *et al.*, 1991). A lone entrepreneur cannot undertake phenomenal and prodigious actions (Lawrence *et al.*, 2011) in changing the institution. Rather, institutionalisation involves collective institutional entrepreneurship where actors, having different skills, work together (Battilana *et al.*, 2009; Perkmann and Spicer, 2008). Institutional work expands, bridges and connects the notion of institutional entrepreneurship, innovation and institutional change (Lawrence *et al.*, 2009).

Previous studies used institutional work in accounting and management innovation (Aburous, 2019; Chiwamit *et al.*, 2014; Hayne and Free, 2014; Lawrence *et al.*, 2002; Perkmann and Spicer, 2008; Zietsma and Lawrence, 2010). Hayne and Free (2014) and Chiwamit *et al.* (2014) conducted studies on institutional work at the organisation-field level. Professional organisations representing field-level actors have been found to conduct purposive actions to create, maintain and disrupt institutions (Hayne and Free, 2014). Meanwhile, Chiwamit *et al.* (2014) suggest that actors conduct political, technical and cultural work in the process of institutionalisation.

This study builds upon the notion of institutional work by Lawrence and Suddaby (2006) and the institutional work classification proposed by Perkmann and Spicer (2008), distinguishing between political, technical and cultural work. Political work refers to the efforts of actors in the "development of rules, property rights and boundaries in the attempt to anchor an institution within the wider social system" (Lawrence and Suddaby, 2006). The work mainly focuses on the establishment of rules and regulatory frameworks. It also advocates that the practice of innovation involves political negotiation to create an alignment of actor's interests and institutions (Chiwamit *et al.*, 2014; Perkmann and Spicer, 2008).

While political work provides the social basis for institutional construction, technical work refers to efforts to make innovation or new practice fit within institutional contexts (Perkmann and Spicer, 2008). Technical work involves educating actors to enable abstract models, creating links between new management or accounting innovation and prior practices and conducting theorisation and mimicry (Lawrence and Suddaby, 2006). This work requires actors with significant expertise such as professionals, consultants or academics.

The IASB undertakes political and technical work across many countries by diffusing, implementing and embedding IFRS through local standard setters. The IASB allows professionals and academics to work on technical projects that support the standard setting process and issues technical guidance and undertakes workshops and training programs.

Cultural work refers to actions that ensure that the practice of IFRS fits within the broader belief system within institutional contexts (Chiwamit *et al.*, 2014; Perkmann and Spicer, 2008). This work involves constructing inter-organisational networks, applying normative sanctions to certain practices, creating professional identities and broadening the knowledge jurisdiction of professionals. This requires cultural skills whereby actors should be able to transform institutions that have broader values into specific normative attitudes. Cultural work is characteristic of professionalism, whereby the institutional entrepreneur inserts management or accounting practices within a broader value system, particularly professional skills and identity (Perkmann and Spicer, 2008).

The notion of institutional work suggested by Chiwamit *et al.* (2014) and Perkmann and Spicer (2008) is illustrated in Table 1.

Given that actors possess self-interest and seek legitimacy when conducting institutional work, this study refers to Perkmann and Spicer (2008) and Chiwamit *et al.* (2014) who suggest the notion of field cohesiveness when investigating how actor's interests are coordinated during accounting innovation such as fair value.

This study applies institutional work as a theoretical lens consisting of political, technical and cultural works (Chiwamit *et al.*, 2014; Perkmann and Spicer, 2008) to provide an understanding of the roles and purposive actions of actors in the implementation of fair value in Indonesia.

3. Research methodology

In analysing how IFRS 13 *Fair Value Measurement* is implemented in Indonesia, this study commences with the premise that there is interdependence between actors and their

Work	Activity	
Political	Advocacy	Mobilisation of regulatory and political support by conducting deliberate and direct social dissuasion
	Vesting	Conferring property rights and authority, thereby involving some level of sharing of regulatory or coercive authority
	Defining	Establishing rule systems conferring identity or status, defining membership boundaries and establishing status hierarchy
Technical	Theorising	Creating and specifying of abstract categories and identifying of causal relationship of its elements. Started with the naming of the new practices, followed by communication and elaboration
	Standardising	Establishing and developing the rules, standards and generally accepted principles related to the accounting or management practices
	Mimicry	Leveraging current and existing practices, rules and tools by aligning the new institution with taken-for-granted practices
	Educating	Knowledge and skill sharing and establishing access of information to educate actors involved in new institutions
Cultural	Constructing normative networks	Constructing normative networks between actors previously disconnected. They formalise practices and are responsible for enforcement, evaluation and monitoring
	Changing normative association	Reformulating the association between morals, norms and cultural foundations
	Constructing identity	Defining the association between actors and the field

Sources: Perkmann and Spicer (2008); Lawrence and Suddaby (2006); Chiwamit *et al.* (2014)

Table 1.
Institutional work categorisation

environment. This study interviewed 26 participants in Indonesia, including auditors, preparers, appraisers, professional body members and regulators. Interviewees were not randomly chosen but were representative of important actors in accounting regulation and practice within the country. Their opinions and arguments therefore reflect key issues surrounding the convergence and implementation of fair value accounting in Indonesia.

Accounting regulatory bodies were interviewed to generate information about the political process of accounting standard implementation, which involved the Ministry of Finance, *Otoritas Jasa Keuangan* (OJK) [Financial Service Authority], *Bank Indonesia* (BI) [Central Bank of Indonesia], the Indonesia Stock Exchange and *Dewan Standar Akuntansi Keuangan* (DSAK) [Indonesia Financial Accounting Standard Board] as the accounting standard setter. Interviewees also included the key professional bodies IAI, *Institut Akuntan Publik Indonesia* (IAPI) [Indonesian Institute of Public Accountants] and *Masyarakat Profesi Penilai Publik Indonesia* (MAPPI) [Indonesian Society of Appraisers]. All were considered important actors in the institutionalisation and implementation of accounting standards. The actors at the organisational level covering preparers, auditors and appraisers are also interviewed to generate detailed information regarding practical issues surrounding fair value standards. Their job classification roles and purposive actions support fair value implementation. Therefore, institutional work is suitable as a theoretical lens. Whilst the Indonesian government and regulatory bodies have the capacity to establish rules and conduct advocacy and lobbying, professional bodies possess the technical capacity to conduct professional activities, develop accounting and professional standards and establish rules for Indonesian accounting professionals. Finally, interviewing accounting professionals allows for a better understanding of the actions undertaken at the organisation level to address the challenges, problems and opportunities of IFRS implementation.

Table 2. List and detail of interviews and interviewees

No	Group of participants	Code	Role
1	Regulator	Interviewee 1	Senior Advisor Capital Market Supervision of Financial Service Authority
2	Preparer	Interviewee 2	Head of Accounting Public Listed Company
3	Auditor	Interviewee 3	Audit Firm
4	Preparer	Interviewee 4	Head of Accounting Public Listed Company
5	Appraiser	Interviewee 5	Appraiser Firm
6	Auditor/Professional body	Interviewee 6	Audit Firm/Chairman of Indonesia Accounting Standard Board
7	Auditor	Interviewee 7	Audit Firm
8	Auditor	Interviewee 8	Audit Firm
9	Preparer	Interviewee 9	Head of Accounting Public Listed Company
10	Appraiser/Regulator	Interviewee 10	Appraiser Firm/Finance Profession Supervisory Centre
11	Regulator	Interviewee 11	Senior Analyst of Banking Industry of Financial Service Authority and member of Working Group of IFRS
12	Professional body	Interviewee 12	Member of National Council-Institute of Indonesia Chartered Accountants
13	Professional body	Interviewee 13	Technical Advisor IFRS Implementation-Institute of Indonesia Chartered Accountants
14	Professional body	Interviewee 14	Member of Indonesia Accounting Standard Board
15	Auditor	Interviewee 15	Audit Firm
16	Appraiser	Interviewee 16	Company Value Advisory of Audit Firm
17	Regulator	Interviewee 17	Head of Finance Profession Supervisory Centre
18	Regulator	Interviewee 18	Head of Compliance and Listing Division Indonesia Stock Exchange
19	Regulator	Interviewee 19	Supervisor-Issuer Valuation and Monitoring Indonesia Stock Exchange
20	Regulator	Interviewee 20	Senior Officer-Issuer Valuation and Monitoring Indonesia Stock Exchange
21	Auditor/Professional body	Interviewee 21	Accounting Firm and IFRS Implementation team of Institute of Indonesia Chartered Accountants
22	Professional body	Interviewee 22	Head of Technical Team- Institute of Indonesia Chartered Accountants
23	Preparer	Interviewee 23	Head of Accounting Public Listed Company
24	Preparer	Interviewee 24	Head of Accounting Public Listed Company
25	Auditor/Professional body	Interviewee 25	Audit Firm and Secretary of Indonesia Institute of Public Accountant
26	Appraiser	Interviewee 26	Appraiser Firm

Codes	Issues discussed	Themes identified	Organising themes	Global themes
Promotion	International organisation Regulation Good standard	International organisations	Advocacy	Political work
Needs	Competency	Certification program	Defining	
Power/authority	Conferral	Confer power	Conferring	
Standard	Accounting standard Auditing standard Valuation standard	Standard for financial reporting and fair value Standard for auditing Standard for valuation	Standardisation	Technical work
Practical	Education Consultation Collaboration	Educating professional Providing guideline	Education	
Task	Professional task	Expanding professional task	Creating normative network	Cultural work
Identity	Roles	Specific professional roles	Constructing identity	

Table 3.
Coding

The interviews followed a semi-structured format with targeted research questions exploring how fair value is institutionalised. Interviews lasted between 45 and 60 min and were conducted in Bahasa Indonesia. Audio recordings were then transcribed into written data and then translated into English.

This study applied a thematic analysis (Attride-Stirling, 2001; Braun and Clarke, 2006) to investigate fair value institutionalisation within an Indonesian context. This approach allows the researcher to code data from the research questions. It follows the steps suggested by Braun and Clarke (2006) for conducting thematic analysis, namely, data familiarisation, coding, theming, theme review, theme definition and reporting. This research observed commonalities and dissimilarities across the data, identified patterns and undertook coding. Given that thematic analysis cannot disregard theoretical and epistemological commitments, this study relates the broad issues of the institutionalisation of fair value to its theoretical grounding, i.e. institutional theory, particularly *institutional work*. The grouping of themes will be made based on the data and its theoretical basis (Attride-Stirling, 2001), i.e. institutional work. Based on data patterns, this study generated the following themes: international organisations, certification programs, conference of power, standards for financial reporting and fair value, standards for auditing, standards for valuation, educating professionals, provision of guidelines, expansion of professional tasks and specific professional roles.

To provide a more comprehensive picture of fair value within the local context, this study also reviews and analyses information and facts obtained from secondary sources, including press releases and the official websites of regulators, listed companies and professional bodies.

4. Discussion and analysis

4.1 Institutionalisation of fair value in the local context

This section explains how actors conduct purposive actions in institutionalising fair value standards through political, technical and cultural work (Chiwamit *et al.*, 2014; Perkmann and Spicer, 2008).

4.1.1 Political work. The standard setting process is, by nature, political and bestows legitimacy. Legitimacy is important in providing the necessary assurance for establishing accounting standards (Durocher and Fortin, 2010). Indonesian regulators seek to conform with international and regional membership requirements to increase their legitimacy (Colasse and Pochet, 2009). The inclusion of IFRS within national regulatory frameworks is driven more by the motivation to maintain membership of global networks rather than by coercive pressure from international organisations (Albu *et al.*, 2014).

The political work of fair value implementation in Indonesia is through the establishment of regulatory frameworks (Chiwamit *et al.*, 2014; Lawrence and Suddaby, 2006; Perkmann and Spicer, 2008). Indonesian regulators lobby and establish rules and regulations that enable institutional actions (Lawrence and Suddaby, 2006), including advocating for IFRS and fair value practices, aligning economic and political interests, constructing rules to establish status hierarchies and creating social boundaries within the Indonesian community of practice.

The Ministry of Finance issues regulations for accountants and appraisers relating to fair value, as does OJK, the Financial Service Authority, that regulates and controls stock market activities. In cooperation with the Indonesian Stock Exchange (IDX), the Financial Service Authority holds regulatory coercive power regarding fair value and appraisers, including enforcing sanctions and penalties for listed companies. To apply fair value effectively, IDX has issued regulations related to the trading activities (free float shares) of public companies that allow stocks to maintain their value on the stock exchange.

As part of its commitment to ensure successful IFRS implementation, the Financial Service Authority issued standards and regulations on financial presentation and disclosure that required listed companies to apply fair value standards for measuring financial instruments. The goal is to provide adequate disclosure to avoid misleading information. Regulations also require companies to assign an appraiser when a company applies fair value in measuring its assets. The appraiser, in turn, must be registered by and comply with Financial Service Authority regulations.

The fair value concept has been found to contradict taxation principles (Ikatan Akuntan Indonesia, 2015a). Revaluation for taxation purposes is different to that for accounting purposes. Even though the concept of fair value is not aligned with taxation principles, regulators tend to support the implementation of fair value by issuing regulations encouraging companies to apply the revaluation model. Since 2015, the government has stimulated tax revaluation by providing an incentive, that being tax income discounts for those who apply the revaluation model for taxation purposes (Ikatan Akuntan Indonesia, 2015a).

The commitment to adopt and implement IFRS and fair value by establishing regulations and enforcement mechanisms illustrates that regulators are legitimate and powerful actors within the accounting domain. Whilst possessing political legitimacy, government also provides technical support for these standards in addition to emphasising their political importance (Mennicken, 2008). However, technical legitimacy is challenging because government possesses limited human resources to assure public company compliance.

> I think the [institution] which can convince [us of] the consistency of the implementation of the financial report is [the] regulator. It's like in ASIC (Australian Securities and Investment Commission), but [. . .] I am sorry to say that OJK is far from that [standard][. . .] we still see a lot of forms and [. . .] checklists [regarding] compliance, but not substantial compliance (Interviewee 6 – Auditor and Chairman of the Indonesia Financial Accounting Standards Board).

Regarding professionals, the Finance Profession Supervisory Centre controls public accountants and obtains its legitimacy through membership of the International Forum of Independent Audit Regulators (IFIAR). This membership is legitimised by Presidential Decree [3], which states that the Indonesian government is a member of IFIAR and the Finance Profession Supervisory Centre is a focal point of that membership (Ministry of Finance, 2015b). Indonesia is also a member of the ASEAN Audit Regulators Group (AARG) and meetings are held annually to discuss accounting and auditing issues.

Like accountants, the Finance Profession Supervisory Centre also regulates, controls and supervises appraisers relating to registration, development and education. It oversees MAPPI, the Indonesian Society of Appraisers, in conducting education and training for appraisers. The Finance Profession Supervisory Centre issues regulations surrounding professionals' qualifications and competence, requiring them to undertake training and continuing professional development. It also established regulations related to registration and certification programs, outlining work duties and professional membership requirements (Perkmann and Spicer, 2008).

IFRS has now become the dominant accounting system within Indonesia. Since its introduction in Indonesia in 2008, IFRS has provided new ground for legitimating actions by regulators. Through the Financial Service Authority, government has subsequently issued regulations requiring publicly listed companies to comply with PSAKs that are IFRS-based, effectively resulting in a PSAK accounting system based on IFRS.

Prior to IFRS convergence and fair value implementation, Indonesian companies adopted historical cost, showing a more conservative attitude when preparing financial reports. They also avoided uncertainties and challenges given that fair value measurements require greater professional judgement. This characteristic lead Indonesian companies to choose historical cost over fair value for measuring assets, especially non-financial assets. Only the banking industry had been more concerned with the implementation of fair value standards given that financial instruments were already subject to fair value accounting.

Indonesian regulators have conferred specific rules, authorities and powers on professional bodies (Lawrence and Suddaby, 2006; Perkmann and Spicer, 2008). The role and powers of the IAI as a professional member body reflect its status as a self-regulatory organisation, in that it can establish educational standards, registration, professional discipline and ethical codes. However, it is also subject to government authority. Therefore, there is interdependence between the profession and government as a regulator (Suddaby *et al.*, 2007) within an Indonesian context.

The standard setter, possessing strong technical skills, develops and implements Indonesian accounting standards, known as PSAK. During the initial phase to adopt IFRS, the standard setter had limited support from government. However, the standard setter had self-funding to develop PSAK through funds generated from member contributions and strove to converge IFRS to Indonesian accounting standards (Akuntan Online, 2013).

> IAI [. . .] prepared the standards and translated IFRSs. IAI has DSAK [. . .] [and] [. . .] they worked hard to translate IFRS, as they were the only unit or organization that managed accounting development. Although there is no legal official statement from the government, they kept working on it (Interviewee 17 – Head of Finance Profession Supervisory Centre, Ministry of Finance).

Indonesian regulatory bodies confer authority on IAI, particularly the standard setter, which is under the auspices of the IAI during the process of IFRS convergence. The government has supported the role and power of IAI as a standard setter and in assisting IFRS implementation. Regulators such as the Financial Service Authority and Central Bank of Indonesia, who are the enforcement institutions, have indicated their support for IFRS

(Detik Finance, 2011). The Ministry of Finance issued regulation PMK 25 on "state registered accountants" [4] as legal backing for the IAI to establish the Chartered Accountant (CA) designation, which requires Indonesian accountants to be registered by the Ministry of Finance. Similarly, the Indonesian Society of Appraisers regulates appraisers, whilst the Indonesian Institute of Public Accountants regulates auditors when applying IFRS and fair value.

In undertaking political work, Indonesian regulators increase their legitimacy by joining regional and international professional member bodies, establishing regulatory frameworks (Chiwamit *et al.*, 2014; Lawrence and Suddaby, 2006; Perkmann and Spicer, 2008) and lobbying higher authorities to establish rules and regulations enabling institutional actions (Lawrence and Suddaby, 2006). They establish rules related to professional qualifications, appraiser roles and fair value accounting practices for Indonesian companies. They also advocate for IFRS and fair value practices and align economic and political interests. Political work also involves conferring certain authority, roles and power to specific groups, i.e. professional bodies, who have specific interests in the new accounting system (Lawrence and Suddaby, 2006; Perkmann and Spicer, 2008).

4.1.2 Technical work. Regarding implementation of the fair value standard, the IAI undertook public hearings on PSAK 68, soliciting the views of academics, auditors and members of the profession. The IAI also actively discussed fair value implementation issues with regulators, preparers and other stakeholders. Together with professionals, regulators are involved in the IFRS Working Group and Regulatory Working Group (RWG) and participate in discussions pertaining to IFRS implementation, including fair value, to improve understanding and technical competency.

Since 2009, the Indonesian banking industry and other financial institutions have been required to apply fair value to financial instruments, i.e. financial assets and liabilities. They need to measure their financial assets and liabilities using an exit price and fair value inputs. Implementation was postponed in 2010 after obstacles and challenges were identified. Regulatory bodies collaborated with standard setters, professional bodies as well as professionals to discuss the challenges facing the banking industry and other financial institutions regarding fair value implementation.

Meanwhile, the IAPI enhances its legitimacy by adopting International Standards of Auditing (ISA) and the *Code of Professional Ethics for Accountants* developed by the International Federation of Accountants (IFACs). In developing auditing standards based on ISA, the Public Accountants Institute also adopts fair value audit standard *Standard Audit* ("SA") [Audit Standard] 540. The IAPI's role (through Public Accountant Law No. 5 2011) is to undertake professional training and examination and provide assurance that the services undertaken by members are in accordance with professional standards and ethics. In 2016, the IAPI also launched the Professional Recognition Program (PRP) to increase auditor competence.

With regard to auditing, there are 388 audit firms in Indonesia (Ministry of Finance, 2014), 4 of which are affiliated with PWC, Ernst and Young, Deloitte and KPMG. Large accounting firms are actively involved in managing the profession and the standard-setting process. The current chairman of the standard setter is a partner of a Big 4 audit firm, which ensures a degree of understanding and capability regarding the practical issues surrounding accounting standards. Large firms enjoy power and legitimacy and possess resources, expertise and institutional reputation (Barrett *et al.*, 2005; Mennicken, 2008). They have international networks and affiliations to consult technically on complex standards such as fair value (Griffith *et al.*, 2015).

Determining fair value is challenging for preparers, and hence audit firms provide the necessary consultation and training for clients. The valuation division in the audit firms assists auditor assurance that the fair values provided by preparers and appraisers have been appropriately calculated. They also have stringent audit procedures and reputational power to ensure clients comply with valuation processes and can provide greater audit assurance related to fair value (Lee and Park, 2013).

> We can get training from [our] auditor PWC. We are also connected to the IAI for training [. . .] The auditor is more serious because [he is from] PWC. I tried to compare to my colleagues who do not use PWC, but they were flexible (Interviewee 4 – Head of Accounting, Public Listed Company).

The IAMI (Indonesia Institute of Management Accountant) and the IAI are creating "legitimacy" by collaborating with the UK-based Chartered Institute of Management Accountants (CIMA) to improve the management accounting profession in Indonesia (IAMI, 2015). They periodically hold Continuing Professional Development (CPD) workshops, *Forum Akuntan Manajemen* (Management Accountant Forum) meetings and CFO/CEO professional meetings, namely, the "CFO/CEO Round Table". Management accountants are often at the forefront of fair value application because of their role in helping to prepare financial report information based on professional judgements that require assumptions and estimation.

The execution of professional judgement by preparers is regarded as a substantial issue in Indonesia. Their role will increase within the local accounting environment, further enhancing their legitimacy (Albu *et al.*, 2014). As inputs from quoted markets are not available, professionals will use other inputs in their valuation. Estimation and calculation must be applied and one of several methods may be deployed to achieve this. Hence, to increase competence and the ability to exercise judgement, preparers engage in professional training undertaken by audit firms, regulators or professional bodies. Large organisations are in a better position from a financial and human resource perspective to conduct in-house training. Small-to-medium organisations prefer to send accountants to courses and seminars run by professional associations.

> The problem is that if people join the PPL, they should follow it continuously. The company should be consistent. They send different people, every time, to join the Pendidikan Profesi Berkelanjutan (PPL) [Continuing Professional Development) in a particular company (Interviewee 12 – Member of National Council, Institute of Indonesia Chartered Accountants).

Even though Indonesian regulators and professional bodies have sought to make fair value understandable at the company level by providing regulatory systems that support fair value application and training for professionals, management continues to rely on independent appraisers for company asset valuation.

Implementation of fair value standards has also increased the awareness of the Indonesian Society of Appraisers, a professional body responsible for developing the skills of the appraiser. The Indonesian Society of Appraisers gains its legitimacy through membership of regional and international organisations, such as the ASEAN Valuer's Association (AVA). It also adopts the International Valuation Standards (IVS) used by appraisers to conduct asset valuations. It has worked to minimise gaps in substance between the valuation standard and the fair value standard. Moreover, it educates appraisers and oversees its members when they conduct valuations.

The prevalence of fair value requires continuous involvement from valuation experts (Smith-Lacroix *et al.*, 2012) and this will enable them to provide a reliable estimation and measurement of fair value (Cotter and Richardson, 2002). Within an Indonesian context, the independent valuer can be a business valuer and/or property valuer (Ministry of Finance, 2015a). An appraiser gains his/her legitimacy through regulations issued by the Financial Service Authority that require listed companies to use appraiser services when measuring fair value for businesses and property. Moreover, the Central Bank of Indonesia, as a banking industry regulator, has also issued regulations regarding the use of appraiser services when valuing collateral assets for a loan.

> The government issued UU [Act] No. 2 year 2012 is about land procurement for the public. I do not remember in which article it is, but it states that land valuation has to use external appraisers and public appraisers. Also, in the Bank of Indonesia regulations, [it] states that for the debtors who borrow money from the bank for above 5 billion rupiahs, the bank has to use an external appraiser for valuing the debtor's collateral assets (Interviewee 17 – Head of Finance Profession Supervisory Centre, Ministry of Finance).

In the early phase of fair value implementation in Indonesia, there was no formal education or designation available for the appraisers. Therefore, the Indonesian Society of Appraisers undertook the necessary education and training for appraisers. Meanwhile, the finance profession regulator is responsible for the supervision, registration and enforcement of appraisers. Certain Indonesian universities have offered education programs specialising in property valuation and management. Therefore, appraisers have options to undertake higher education or training that develop skills and competence in this area, indicating the significance and importance of appraisers within the Indonesian context.

The appointment of an independent external appraiser by a company is based on selection criteria, such as reputation, market knowledge, independence and whether professional standards are maintained or not. Appraisers conduct asset valuations on items, including land, buildings and biological assets. Within an Indonesian context, appraisers perform their tasks in accordance with Indonesian Appraiser Standards. External appraisers for company land and buildings require the approval of the board of directors. Appraisers estimate and calculate fair value of the assets using a model based on the area, location and distance from the central business district and property condition.

Meanwhile, some industries assign independent appraisers for regular valuation. An assessment of assets is undertaken regularly to ensure that their value is not materially different from their carrying amount. If there is a difference, a revaluation is required. In assessing assets, an independent appraiser discusses the inputs and techniques used for valuation with the company preparing financial statements. From an Indonesian perspective, a preparer, possessing limited skills in applying fair value, can create challenges for auditors who then need to place overreliance on appraisers (Glover *et al.*, 2019). Given that many markets within Indonesia are illiquid, fair value will often require the estimation and valuation of an expert appraiser. Appraisers are trained to provide an estimation model drawing upon economic, mathematical and statistical concepts. An independent appraiser then discusses and reaches an agreement with the preparer and auditor about the fair value of an asset (Barker and Schulte, 2017).

Given that regulators confer certain roles and powers (Lawrence and Suddaby, 2006; Perkmann and Spicer, 2008) on professional bodies, they in turn establish member requirements involving training, education, certification and the undertaking of professional duties. They hold a "regulative bargain" with regulators and act as self-regulatory bodies. Institutional work also involves regulative bargain negotiation (Lawrence and Suddaby, 2006), so that rules established by actors can be coherent. Professional bodies establish rules to support regulators constitutive rules, which then have an important role in the institutionalisation of accounting practice (Lawrence and Suddaby, 2006; Perkmann and Spicer, 2008). Technical work in the institutionalisation of fair value in Indonesia involves collective actions and collaboration among professional bodies having specific interests and claims for legitimacy. There is collaboration among professionals, including appraisers, preparers and auditors, about the fair value of an asset. They conduct routine activities to create institutions (Aburous, 2019; Lawrence *et al.*, 2011) and reach agreement regarding the representation of an asset's fair value (Barker and Schulte, 2017). In spite of professional actors having differing levels of knowledge and expertise, they share practices and, in doing so collectively, better enable the organisation to adapt to changes in the accounting system. Appraisers use their expertise to determine fair value, whilst auditors ensure that fair value has been measured appropriately. They attempt to ensure that these activities become routine across all organisational levels.

Technical work is also represented by the *standardisation* (Lawrence and Suddaby, 2006; Perkmann and Spicer, 2008) of professional body rules with respect to fair value. While preparers apply fair value standards, auditors undertake auditing processes based on audit standards for fair value and complex estimates. Similarly, appraisers undertake valuation processes based on a valuation standard aligned with fair value. Moreover, there is a continuing attempt to harmonise standards among professional bodies involving accounting, auditing and valuation standards.

4.1.3 Cultural work. The successful application of fair value in the organisation depends on human resource competence. The role of the appraiser is substantial in helping the preparer assess fair value.

> Using appraisers or other professional services helps us provide reliable valuation. However, the valuation numbers are not their (appraisers) responsibility. Valuation results put in the financial report are management or a company's responsibility as issuers of financial reports [.]. We also have good auditor[s], who have the capability to challenge assumptions (of valuation) that we have developed. It should be remembered that assumptions (of valuation) should be agreed and developed by management, even though they were supported by [an] appraiser or actuary (Interviewee 24 – Head of Accounting, Public Listed Company).

Besides preparers, auditors play a substantial role, functioning as a mechanism for control and compliance. The Big 4 audit firms have a significant influence in the development of accounting and auditing practices (Humphrey *et al.*, 2009) as they participate in the development of accounting standards and provide guidance regarding implementation and application (Cooper and Robson, 2006). However, uncertainty estimates and subjectivity surrounding fair value (Bratten *et al.*, 2013; Lee and Park, 2013) provide challenges for both preparers and auditors (Griffith *et al.*, 2015). Smith-Lacroix *et al.* (2012) suggest that the growing prominence of fair value accounting will affect the work of both practitioners and auditors. Therefore, auditor competence and skill are of critical importance.

The cultural work helps shape and re-shape professional identities. Preparers, auditors and appraisers are professionals involved in fair value implementation. The creation of identities is substantial to the creation of institutions as this depicts the association between actors and the fields in which they operate (Bourdieu and Wacquant, 1992; Lawrence and Suddaby, 2006; Perkmann and Spicer, 2008). Auditors provide opinions based not only on document verification but also on economic reality, or what is deemed "true and fair".

Within the Indonesian context, large audit firms are considered a source for normative isomorphism. They play an important role in IFRS convergence and financial stability within countries, particularly emerging economies such as Indonesia, where there is often a lack of a broad qualified skill base. Together with regulators, large audit firms participate in the RWG, discussing important issues in accounting and acting as consultative bodies for regulators. DSAK and IAI together with stakeholders, including Big 4 firms, also discuss issues regarding fair value implementation with OJK, the IFRS implementation team, BI, IAPI and financial statement preparers (Ikatan Akuntan Indonesia, 2015c).

Furthermore, Big 4 audit firms and regulators, in ensuring companies comply with standards and regulations (Albu *et al.*, 2014), have influenced the local application of IFRS, including fair value standards. To support the auditing function, large audit firms have also created and expanded the roles of valuers, to deal with complex transactions such as fair value estimation (Smith-Lacroix *et al.*, 2012).

Research has illustrated a common perception that the Big 4 audit firms are superior to local audit firms (Mennicken, 2008). Consequently, emphasis is placed on image when offering public services. Given that they have a separate valuation department, large Indonesian audit firms possess the necessary specialist knowledge and capability to challenge fair value numbers provided by management or independent appraisers.

Using appraisers to measure fair value is perceived to increase valuation reliability (Cotter and Richardson, 2002), as there is consistency and expertise in asset valuation. The growing importance of the appraiser in Indonesia is not however without problems. Smith-Lacroix *et al.* (2012) argue that an overreliance on appraisers endangers auditor jurisdiction. They suggest that incorporating specialist departments or people within the audit firm's organisational structure allows the auditor to cope more easily with new fair value standards. Management and auditors who lack competence in measuring fair value will over-rely on the appraiser (Joe *et al.*, 2017) in spite of their scepticism about the appraiser's competence.

> If you mention about valuation, there is another professional who is more expert than the accountant. They are called public appraisers [. . .] It's not the accountant's job to know it, because accountants are used to knowing about historical cost and depreciation. That is different [to] valuation knowledge. I [have] joined the training held by MAPPI too, until quite a high level. That's why I understand. There is a difference between the fair value in US GAAP with today's fair value (Interviewee 17 – Head of Finance Profession Supervisory Centre, Ministry of Finance).

The prominent role of the appraiser has aligned with the shift in orientation from historical cost to fair value. This also creates and increases interest in, and the legitimacy of, the appraiser in relation to fair value application. The appraiser ensures that fair values are practicable within an Indonesian context by providing valuation services. The appraiser also supports fair value implementation by increasing their competence through ongoing education and training.

Indonesian professionals undertake cultural work in the institutionalisation of fair value by expanding the tasks and jurisdiction of professional groups to accommodate new practices (Perkmann and Spicer, 2008). Preparers are responsible for the estimation, assumption and calculation of reliable fair value, even though appraisers provide assistance in the actual measurement of fair value. Meanwhile, auditors not only provide opinions about the fairness of financial reports but also challenge the numbers provided by preparer or valuers.

4.2 Appraiser and implementation of fair value in Indonesia

Based on the analysis, this study argues that the implementation of fair value has increased the role of appraisers. The involvement of a valuation expert in fair value measurement provides assurance that fair value estimates are reliable (Cotter and Richardson, 2002; Smith-Lacroix *et al.*, 2012). The Indonesian government has reinforced the role of the independent appraiser to ensure that fair value measurement for company assets or businesses is based on sound principles. After passing the Initial Professional Development

(IPD) program, appraisers are required to undertake CPD to improve and update their competence. An appraisers' educational background is not limited to accounting, but can encompass other majors (including economics) and therefore it is critical that they undertake the IPD and CPD to improve both competency and skill. As part of their professional skills, appraisers are also required to execute professional judgement involving assumptions and values.

> It is challenging to determine an assumption, which is at the end, affecting the result. The absence of rules-based [approaches] [forces] us to use professional judgement. It is the role first [of] management and then the supportive professions such as [the] actuary, appraiser or external auditor. The most important thing is that valuation [outcomes] should not be different among companies resulting from the assumption application" (Interviewee 24 – Head of Accounting, Public Listed Company).

Data other than specified market prices are often difficult to obtain in Indonesia. This can lead to an appraiser "crafting" values using data or information from unpublished or informal sources. Crafting values indicate the appraisers' skill to assess fair value of assets based on informal sources and data. Appraisers try to find information by acting as a property or land buyer and approaching neighbours and city officials to ask the common value of land or properties in a specific area. Using their skills and competence, informal information and data are elaborated with theoretical views.

> In addition to professional judgement, [an] appraiser also need[s] a special skill called 'crafting', to generate comparative data. It is not professional judgment; it is 'crafting'. For example, if I need to buy a property, I will act as a buyer, hence I can get information on how much is the market value of the property (Interviewee 17 – Head of Finance Profession Supervisory Centre, Ministry of Finance).

To maintain professional ethics, appraisers should apply a code of ethics. The code of ethics of the Indonesian appraiser is *Kode Etik Penilai Indonesia* (KEPI) [Indonesian Valuer Code of Ethics) adopted from the *Code of Ethical Principles for Professional Valuers* issued by the International Valuation Standards Council (IVSC). It provides ethical guidance for appraisers when providing valuation services for clients.

Appraisers' works are based on valuation standards and a code of ethics. They hold skills and competence in valuing assets. In spite of executing professional judgement during valuation, they have to be independent and objective. Calculations, assumptions and estimation should be reliable and use appropriate inputs. The role of appraisers will help preparers who apply fair value for their financial reports. It also helps an auditor provide reliable estimations related to fair value.

The role of the appraiser is strengthened by OJK (Financial Service Authority) regulations, which state that valuing the assets and business of companies listed on the IDX requires the service of an appraiser. The number of active Indonesian appraisers registered by OJK is 233 and they are providing valuation services (OJK, 2021).

The Financial Service Authority has also issued regulations related to registration, independency and reporting guidance for appraisers, especially in providing services for listed companies. The Indonesian Society of Appraisers is also seeking to minimise the gap between its valuation standard and the fair value standards issued by the standard setter.

Regulations covering the role, services and responsibility of appraisers lie with Finance Ministry Regulation 101 [5]. Appraisers need to be registered and independent. To enforce the compliance of accountants and appraisers when undertaking their work, the PPPK, under the auspices of the MOF, has been appointed to oversee the work of professionals, including registration, training and (if needed) suspension.

Appraisers are perceived as experts who ensure the successful implementation of fair value and maintain its practicability. They have significant roles in the process of fair value measurement. They conduct institutional work by solving challenges and obstacles in fair value implementation. Regarding appraisers and other professionals, there is a technical dependency where auditors and preparers rely on appraisers' skills to determine fair value. The involvement of appraisers in fair value measurement becomes a new substantial way of fair value implementation. Appraisers conduct institutional work at the organisation level and conduct fair value measurement as mundane and routine activities whilst navigating their surroundings.

5. Conclusions

This paper aims to investigate fair value implementation within an Indonesian context using the concept of institutional work (Perkmann and Spicer, 2008). With regard to fair value implementation, Indonesia has unique characteristics that shape its political and economic development, organisational culture and practices, individual behaviour, professional development and accounting regulation and practice. Indonesian membership of G20 and its involvement in the ASEAN Economic Community have driven IFRS implementation, including that of fair value. Since 2012, Indonesian listed companies have been obliged to implement IFRS-based accounting standards.

Regarding fair value, the Indonesian government supports its implementation by reinforcing the role of, and providing professional development mechanisms for, independent appraisers. Other professionals such as preparers and auditors are also required by regulatory or professional bodies to undertake training and education to increase competence. Indonesian regulators confer authority on professional associations (Lawrence and Suddaby, 2006; Perkmann and Spicer, 2008). As a professional member body, IAI reflects its status as a self-regulatory organisation and can establish educational standards, registration, professional discipline and ethical codes.

The Indonesian government also demonstrates its commitment to support successful IFRS and fair value implementation by establishing laws, rules and regulations. Regulations are issued as part of political work (Chiwamit *et al.*, 2014; Lawrence and Suddaby, 2006; Perkmann and Spicer, 2008). The Ministry of Finance and the Financial Service Authority issues regulations for accountants and appraisers. Those regulations require appraisers to be registered by the Financial Service Authority. Moreover, public companies must assign appraisers when they apply fair value in measuring their assets. The Financial Service Authority also issues standards and regulations on financial presentation and disclosure that require listed companies applying fair value standards to provide adequate disclosure in their financial reports. Hence, the involvement of the government is critical for successful fair value implementation.

The findings of this study support previous studies which state that fair value implementation requires the engagement and input of professionals, including auditors (Barker and Schulte, 2017; Griffith *et al.*, 2015), preparers (Bratten *et al.*, 2013; Griffith *et al.*, 2015) and appraisers (Glover *et al.*, 2019; Griffith *et al.*, 2015; Joe *et al.*, 2017). During implementation, the complexity and subjectivity in determining fair value is challenging for professionals such as auditors and preparers (Glover *et al.*, 2019; Joe *et al.*, 2017) and these issues drive them to over-rely on independent appraisers who conduct estimation, calculation and modelling for fair value (King, 2009; Griffith *et al.*, 2015; Joe *et al.*, 2017).

In undertaking valuation, Indonesian appraisers discuss with preparers and auditors' valuation inputs and techniques. Preparers are responsible for the numbers presented in financial reports while auditors provide assurance that calculations and estimations are based on fair assumptions and estimations. This study determines that to provide a more accurate calculation of complex estimations, collaboration among those professionals, i.e. preparers, auditors and external experts (Barker and Schulte, 2017; Huikku *et al.*, 2017), is a prerequisite. Collaboration among professionals is also undertaken to reach an agreement on the representation of an assets fair value (Barker and Schulte, 2017). Tasks, competence and collaboration between professionals become routine activities, leading to them better navigate their surroundings and institutions (Aburous, 2019).

This study finds that the shift from historical to fair value orientation has increased the prominent role and actions of appraisers, which create and increase their legitimacy. Their objective is to ensure that fair values are "practicable" within an Indonesian context. The role of appraisers is substantial in fair value implementation (Griffith *et al.*, 2015; Joe *et al.*, 2017; King, 2009) and has been legitimised by the Indonesian government through regulations.

The Finance Profession Supervisory Centre, which is under the auspices of the Ministry of Finance (MOF), has a significant role in overseeing the work of Indonesian professionals, including the establishment of rules and regulations for professional qualification, registration and competence. It has control over appraisers and public accountants and requires them to undertake professional training and education. This regulatory body also acts as a supervision and enforcement body for professionals.

Political, technical and cultural works have a stronger effect during institutionalisation, if deployed concurrently (Perkmann and Spicer, 2008). The success of institutionalisation is dependent upon a combination of the three types of work as opposed to a single type of institutional work. Institutionalisation will be successful if institutional work is conducted by various actors across different levels (Aburous, 2019; Perkmann and Spicer, 2008).

In conclusion, this study finds that a country cannot be considered as monolithic. It argues that the institutionalisation of fair value standards is dependent upon, and is shaped by, the purposive actions of actors in their quest to obtain legitimacy that make fair value standards applicable and acceptable. The different comments and expectations identified across different groups of actors throughout the paper imply that there is no single or convergent interest among them. There are variations in the approach towards institutionalising global standards into the local context, as demonstrated by the action of actors who seek individual goals and legitimacy during this process.

This research carries inferences regarding the diffusion and implementation of global accounting standards. First, different local contexts, including community or actors within countries, will react differently towards the institutionalisation and diffusion of global standards. Second, in an emerging economy, the involvement of government or regulatory bodies is critical to the success of fair value implementation. Government issues regulations and rules for professionals, particularly appraisers, showing the importance of appraisers in the implementation process. Third, institutional work (Perkmann and Spicer, 2008) can explain the role, effort and work of local actors in the institutionalisation of fair value in an emerging economy. Future research may wish to explore the notion of institutional work with respect to its relationship with local actors in other developing and developed economy contexts, characterised by different social and cultural systems.

Notes

1. IFAS will be termed Standar Akuntansi Keuangan Internasional (SAK Internasional) in Bahasa Indonesian.
2. *Peraturan Mentri Keuangan* (PMK) [Finance Ministry Regulation] No. 101/PMK.01/2014.

3. *Keputusan Presiden* (Keppres) [Presidential Decree] No. 38 (2014).
4. *Peraturan Mentri Keuangan* (PMK) [Finance Ministry Regulation] No. 25/PMK.01/2014. See https://www.kemenkeu.go.id/sites/default/files/pdf-peraturan/pmk%20no.25-pmk.01-2014-eng.pdf
5. *Peraturan Mentri Keuangan* (PMK) [Finance Ministry Regulation] No. 101/PMK.01/2014.

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