

THE EFFECT OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) ADOPTION ON THE QUALITY OF ACCOUNTING INFORMATION IN MANUFACTURING COMPANIES ON THE INDONESIA STOCK EXCHANGE 2017 – 2020

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Abstract: IFRS accounting based standards financial reports which will improve the quality of the company's financial reports. The aim of this research is to test whether IFRS has an effect on the value relevance and reliability of accounting information in manufacturing companies. The population this research is manufacturing companies listed on the Indonesia Stock Exchange for the 2017-2020 period. There are 164 manufacturing companies registered on the IDX. Technique research uses a purposive sampling method. The sample companies met the criteria were 25 companies so the total observations were 100 company data. The variables are the quality of accounting information which is proxied by relevance and reliability as the dependent variable, and the independent variable uses International Financial Reporting Standards (IFRS), the variables using IFRS use dummy variables. Data collection by observing the financial reports of manufacturing companies listed on the IDX 2017-2020. Data analysis using classic assumption tests and hypothesis testing using simple linear regression. The R Square value of Relevance is 0.339 and Reliability is 0.331, which means that 39% and 33.1% of the information value is influenced by the application of IFRS. So can be concluded that the relevance of the value of accounting information and the reliability of the value of information in implementing IFRS are full and have a positive influence. For further research it is recommended to add the research period to the latest year, and research variables so that the composition of the quality of accounting information is more complete and detailed.

Keywords: *IFRS, Relevance, Reliability, Quality of Accounting Information Value, Information Value*

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1. Introduction

The development of the times demands that business life and the business world are increasingly developing to present high-quality financial reports that investors can understand as a basis for decision making. Reliable information in financial reports is very useful for business people, so accounting acts as a provider of the information needed. The International Accounting Standards Board (IASB) develops high-quality accounting standards that can be used throughout the world. The accounting standards used are International Financial

Reporting Standards (IFRS) (Nugraheni, 2018). Indonesia adopted IFRS in full on 1 January 2012. However, the adoption of IFRS gradually began with the introduction of 19 new PSAKs and 7 ISAKs adopted by IAS/IFRS on 1 January 2010. This IFRS convergence is one of the agreements of the Indonesian government as member of the G-20 forum. As is the case in other countries, there is still debate and an important research question whether the application of IFRS in Indonesia has a positive effect on the financial reliability of companies.

The problem is that every country has different accounting standards, because the financial statements of companies in different countries cannot be compare. Indonesia already has accounting standards, namely PSAK standards that are used as accounting standards, but the need for internationally recognized accounting standards has made Indonesia adopt International Financial Reporting Standards (IFRS). Indonesia decided to focus on IFRS so that Indonesia could get as much recognition as possible. The benefits of using IFRS accounting standards can increase accuracy when evaluating company performance, which can be seen in financial reports (Wahidah & Ayem, 2015) which states that the accuracy of analyst analysis increases when companies adopt International Finance or use reporting standards (IFRS). According to Wahidah & Ayem (2015), the increase in the accuracy of financial analyst analysis is due to international accounting standards which require more detailed disclosure of financial conditions compared to local accounting standards.

The aim of the International Financial Reporting Standards (IFRS) convergence process is to improve the quality of public financial information, especially companies. The emergence of IFRS in the corporate world cannot be separated from global developments, especially developments in the capital market. The rapid development of information technology in the market environment affects many aspects of the capital market, especially financial reporting. Globally accepted accounting standards facilitate the decision making process for investors from various countries whether to invest in a company or not (Patralalita & Julirto, 2014). Therefore, international accounting standards known as International Financial Reporting Standards (IFRS) were developed.

This study uses the importance of the value of information as a measure of the quality of accounting information. The important value of information is accounting information that can explain the condition of the company in a way that influences investors' investment responses and this response causes changes in share prices. With IFRS convergence, the information presented by an entity can describe the actual condition of the entity because of IFRS's emphasis on broader disclosures, such as the presentation of fair value, liquidity and entity risk. It is also important to disclose company information. By increasing the notification, it can better reflect the condition of the company, which has an impact on the high value of accounting information. The importance of the value of information is the ability to explain accounting information about stock prices or stock returns (explanatory power). The ability of accounting numbers to summarize the information underlying stock prices is referred to as the value relevance of financial information, where value relevance is expressed by the statistical relationship between financial information and stock prices or performance.

This research is motivated by the existence of a research gap in previous studies. Based on research conducted by Rahayu & Setiawan (2019), it was concluded that IFRS adoption had an effect on the value relevance and reliability of accounting information. However, the difference with Firmansyah & Irawan's (2017) research is that the introduction of IFRS does not increase the importance of information assets. Apart from that, several previous studies, namely Yuniarso & Lako (2019), in researching the impact of IFRS implementation on value

relevance, found that the value relevance of accounting data for the period after the SAK-IFRS transition was higher than before the SAK-IFRS conversion.

In contrast to Suhartono's (2018) research, the research results show that there is no difference in the importance of accounting information before and after full adoption of IFRS. Several previous researchers, Anggraini & Nadirsyah (2020), further discussed the impact of IFRS adoption on reliability. The study concludes that reliability increases as a result of decreasing ABSDA scores. The research was conducted by Wahidah & Ayem, (2015). There are differences in the results of previous research and there is a visible research gap which must clarify the results of previous research and also become the basis for this research. With the background explained above and the lack of research results, this prompted research entitled **"The Effect of Adoption of International Financial Reporting Standards (IFRS) on the Quality of Accounting Information"**.

Variable Operational Definitions

Accounting Information Quality

Accounting Information System is one of the producers of financial information that is needed by parties with an interest in the company. Parties with an interest in the use of financial information are external and internal parties. The quality of accounting information is one of the main elements that can influence economic decision-making by stakeholders. The quality of accounting information in this study will be proxied by loading, namely the value relevance of accounting information, and the reliability of accounting information.

- **Relevance of Accounting Information**

The value relevance of accounting information is the ability to explain (explanatory power) accounting information on stock prices or returns. Value relevance is used by investors to find out the suitability of values in the company's financial statements so that they can make the right predictions about stock prices or returns. The concept of value relevance is inseparable from the relevant criteria, if the amount presented can reflect information that is relevant to the valuation of a company.

- **Reliability of Accounting Information**

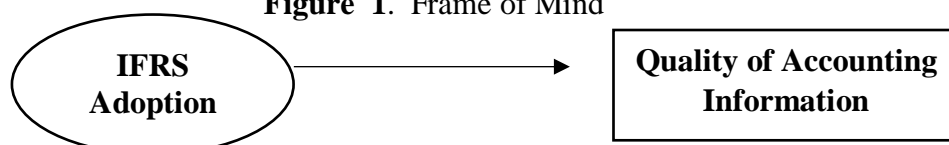
According to Krismiaji et al., (2013) reliability is defined as the quality of guaranteeing that information is rationally free from errors and bias, and represents what will be described. In research (Krismiaji et al., 2013) reliability is represented by faithful representation because information is said to be reliable if the financial statements are free from material errors, present facts honestly and can be verified.

Adoption of International Financial Reporting Standards (IFRS)

International Financial Reporting Standards (IFRS) is a standard for ensuring that a company's interim reports for the period stated in the financial statements contain high quality information. IFRS promises more accurate, more comprehensive and more timely financial reports.

Frame of Mind

Figure 1. Frame of Mind



Hypothesis

Based on the description of the discussion above, therefore the hypothesis in this study is:

- H1** : Adoption of IFRS has a positive and significant effect on relevance value of accounting information.
- H2** : Adoption of IFRS has a positive and significant effect on reliability of accounting information.

2. Research Method

The population used in this study were manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2017 to 2020. There were 164 manufacturing companies listed on the IDX, with a total of 109 manufacturing companies already using IFRS adoption and 55 companies manufacturing has not yet adopted IFRS adoption. The sampling technique in this study used a purposive sampling method with the aim of obtaining a representative sample with the specified criteria. The purposive sampling method is a sampling technique with certain considerations. Companies that meet the sample criteria are 25 companies so that the total observation is 100 company data.

Method of Collecting Data

The data collection technique was obtained using a documentation observation technique by looking at the financial reports of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for 2017-2020. This research was then also tested using the SPSS program using simple linear regression analysis, t test, and the coefficient of determination.

3. Result and Discussion

3.1 Result

Based on the data that has been tested and the results of data that show reliable and normally distributed, the results of a simple linear regression analysis test are as follows:

Table 1. Simple Linear Regression Analysis Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	32107.250	6141.669		5.228	.000
	IFRS	1544.544	7447.868	.021	.207	.046

Dependent Variable: Relevansi

Then the linear regression model equation obtained is as follows:

$$Y = 321.072 + 154.454 X$$

From the regression model above, it can be concluded as follows:

1. The constant value in the equation above is 321.072. This means that if the independent variable does not have or has a value equal to 0, then the value is 321.072.
2. The value of the relevance coefficient is 154.454. This shows that every increase in one unit of relevance will result in an increase in share price of 154.454.

Table 2. Simple Linear Regression Analysis Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	150121.125	20345.065		7.379	.000
IFRS	7504.434	24672.015	.031	.304	.032

Dependent Variable: Reliabilitas

Then the linear regression model equation obtained is as follows:

$$Y = 150.121 + 750.443 X$$

From the regression model above, it can be concluded as follows:

1. The constant value in the equation above is 150.121. This means that if the independent variable does not have or has a value equal to 0, then the value is 150.121.
2. The reliability coefficient value is 750.443. This shows that every increase in one unit of relevance will result in an increase in share price of 750.443.

T test

The results of the t test show that the significance value for the value relevance of IFRS adoption is 0.046, which means $0.046 < 0.05$, so it can be concluded that the value relevance of accounting information has a positive influence. Therefore, the hypothesis in this research is that IFRS adoption is accepted. And the results of the t test show that the significance value for reliability of the IFRS adoption value is 0.032, which means $0.032 < 0.05$, so it can be concluded that the relevance of the profit value has a positive influence. Therefore, the hypothesis in this research is that IFRS adoption is accepted.

Coefficient of Determination (R²)

The coefficient of determination test value or R Square for Relevance was obtained at = 0.339, which means that 33.9% of the relevance of the information value is influenced by the adoption of IFRS. Meanwhile, the value of the coefficient of determination or R Square Reliability is = 0.331, which means that 33.1% of the reliability of the information value is influenced by the adoption of IFRS and the remainder is influenced by other variables not mentioned in this research.

3.2 Discussion

The Impact of IFRS Adoption on the Value Relevance of Accounting Information

The results of hypothesis testing show that statistically the reliability increases significantly in IFRS adoption so that these results are in accordance with the hypothesis proposed in this research. According to the data results, it shows that the significance value of the value relevance of IFRS adoption is 0.046, which means $0.046 < 0.05$, so it can be concluded that the value relevance of profits has a positive influence. This means that the quality of information from primary aspects for reliability has increased in full adoption of IFRS so that information disclosure becomes of higher quality. Thus the first hypothesis (H1) which says that IFRS adoption has a significant effect on the value relevance of information is accepted. The results of this research are in line with the previous results of research conducted which

stated that the adoption of IFRS changed Indonesian accounting standards which originally referred to rule-based to principle-based. In practice, accounting standards based on principles place more emphasis on a number of estimates that must be justified and require more professional judgment. With these changes, it is possible for the results of financial reports to be more reliable if the use of professional judgment is accompanied by an interest in regulating the quality of accounting information because the use of principle based is more able to describe the actual situation compared to rule based which only refers to standards so that adjustments are limited. Therefore, the basic change from using rule based to principle based indicates that the quality of the accounting information presented can be more reliable after the full adoption of IFRS because principle based is more flexible in adapting to current conditions.

The Impact of IFRS Adoption on the Reliability of Accounting Information

The results of hypothesis testing show that statistically reliability increases significantly with IFRS adoption so that these results are in accordance with the hypothesis proposed in this research. This means that the quality of information from primary aspects for reliability has increased in full adoption of IFRS so that information disclosure becomes of higher quality. According to the results of the research data, it shows that the significance value of the value relevance of IFRS adoption is 0.032, which means $0.032 < 0.05$, so it can be concluded that the value relevance of profits has a positive influence. Thus the second hypothesis (H2) which says that IFRS adoption has a significant effect on reliability is accepted. Reliability, namely management presents reliable information through the policies used by management in presenting financial reports, especially regarding profits generated which are in accordance with actual conditions. It is hoped that this information can encourage investors to provide assessments that are in accordance with the actual condition of the company so that shareholder prosperity can be met. This research is in line with research conducted that the results of IFRS adoption testing have a positive and significant effect on the reliability of accounting information.

4. Conclusion

Based on data analysis and previous discussion, the following conclusions are obtained:

1. There is a significant influence on the value relevance of accounting information on IFRS adoption. This means that the quality of information for the value relevance of accounting information increases in full adoption of IFRS so that the disclosure of accounting information becomes of higher quality.
2. There is a significant influence on the reliability of information value in IFRS adoption. This means that the quality of information for the reliability of the value of information increases in full adoption of IFRS so that disclosure of information becomes of higher quality.

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