CHAPTER V

CONCLUSIONS

5.1 Conclusion

This research investigates the value relevance of accounting information by comparing the relationship between economic value of the firm with investor response toward published accounting information three years before and after IFRS adoption. Variables earning per share, book value per share and market value per share are used to explain these relationships. Based on the result of the data analysis that has been collected and processed, the conclusions of this research are provided as follows:

5.1.1 Earnings per share and book value per share were useful to investigate market value per share during period 2009-2015. Therefore, statement of comprehensive income and statement of financial position provide more useful information in assessing economic value of the firm to market participant such as investor in Indonesia capital market.

5.1.2 Book values per share play a higher role in equity valuation relative to earnings. It can be inferred that in the Indonesia capital market, the participants are more attached more important to book value than earning upon IFRS adoption. It is because the adoption of IFRS rely on the fair value accounting in statement of financial position can predict the current value of the firm and it better describe the condition of company. Thus, investor show positive response on

assessing the statement of financial position using IFRS that represents by the increasing of market value per share. Fair value accounting become less conservatism due to both balance sheet conservatism and earning persistence is reduced due to adoption of IFRS. Thus, valuation of weight of earnings is decrease in favor of the valuation weight of book value.

5.2   Research Limitation

5.2.1 This research only focusing on banking industries and limited period observation,

5.2.2 Variable sttatement of cash flow nt included in asessing financial performance of the firm.

5.2.3 The author adopted only price model to test the hypothesis

Suggestion

Based on the research conducted the suggestion from authors are provided as follows:

5.2.4 This research only focusing on banking industries and limited period observation, future studies need to involve other sector and extent the period of adoption to get more consistent results.

5.2.5 Further research is expected to add variable cash flow that might influence the stock prices but not included in the ohlson model to represent the statement of cash flow.

5.2.6 The author adopted only price model to test the hypothesis, therefore to provide comprehensive understanding future research are expected to combine both price and return model.