

## **THE IMPACT OF IFRS ADOPTION ON VALUE RELEVANCE OF FINANCIAL REPORTING AND ASYMMETRY INFORMATION**

### **ABSTRACT**

*The aim of this study is to investigate the effect of IFRS adoption on accounting quality, more specifically on value relevance and asymmetry information. This study uses the value relevance model of Chua's et al. (2012) and motivated by the contradictory results on this issue. In addition, review paper by Elias (2012) to the two of three measurements of accounting quality employed by Chua et al. (2012). This study uses two measurements of accounting quality, namely value relevance and asymmetry information.*

*This study uses 61 companies listed in the Indonesian Stock Exchange during six years of observations that consists of 3 years before and 3 years after period of adoption of IFRS. The financial data were analyzed using Eviews.*

*The results show that: (1) there is an improvement of value relevance after adoption of IFRS (consistent with Chua's et al (2012) study, except for "bad news" event), and (2) there is a decrease asymmetry information after adoption of IFRS (consistent with Healy et al., 1999, Daske et al., 2008, and Armstrong et al., 2010). Furthermore, these results adds practical point of view that financial information is more relevance after IFRS adoption and asymmetry information decreased between agent and principal implying a decrease in investor's capital loss.*

***Keyword: IFRS, fair value, full disclosure, value relevance, asymmetry information, and bid – ask spread.***