

ABSTRACT

THE IMPACT OF INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS) ADOPTION ON VALUE RELEVANCE OF BOOK VALUE OF EQUITY AND INCOME AT MANUFACTURING SECTOR IN INDONESIA

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The aim of the study is to investigate the impact of the adoption of International Financial Reporting Standard (IFRS) on value relevance of book value of equity and income in the Indonesian manufacturing Indonesia listed at the Indonesian Stock Exchange during 2009 - 2013, with the year 2011 as cut-off before and after adopted of IFRS. The results of study indicates that there is an incline of value relevance of book value of equity and income that it can be seen from the value of smaller *Adj R square* that lower since two year after applying IFRS.

For manufacturing sector, this study implies that the adoption of IFRS does not improve the higher level of value relevance than before. In order word, investors require other information to help them in taking decision for investment. This study has several limitations: 1) this study should be carefully taken if it will generalization in other manufacturing sector, and 2) this study only uses two years before and two years after the implement of IFRS. Thus, it is so early to conclude the conclusion for all years.

Keywords: Information quality, value relevance, Book value of equity and income, IFRS, manufacturing business, The Indonesian Stock Exchange.