Plagiarism Scan Report

Summary	
Report Genrated Date	13 Jul, 2018
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Following the mandatory implementationof International Financial Reporting Standards [IFRS] inIndonesia, this research examinesits impacts onthe quality offinancial statement information in Indonesia which are measured bythe proxy of earningsmanagement, timely loss recognition and value relevanceof accounting information. Research was conducted on 117 companies that are listed in Indonesia Stock Exchange determinedby judgment sampling techniques andanalyzed using multiple linear regression and logistic regression. The empirical results indicate thatthe implementation ofIFRS has an effectto decreased earningsmanagement and increased thevalue relevance of accounting information, but has no effectto increase the timely loss recognition. These findings contribute to thequestion of whether qualified accountingstandards effective in non-common law countries such as Indonesia.

Currently, accounting standards around theworld seek toadopt International Financial Reporting Standards[IFRS] toreduce regulatory gapsand enhance the credibility andquality of the financial statements of businessentities across the world. By adopting IFRS,financial reporting qualityis expected to be better, more relevant, and more reliably. Ultimately, IFRS is expectedto reduce moralhazard in thefinancial statements to conduct earnings management through accrual policy.

Several previousstudies, suchas: Barth et. al, 2006; Cormier et. al, 2009; Iatridis, 2010; andChua etal, 2012, mostly done in countries withcommon law legal systems that have strong investor protectionmechanism, concluded that the process ofIFRS adoption or convergence becomes easier.
In line with the previous studies, Liu et al (2011) conducted research in China [a non-common law country] also showed an increase in accounting quality by adopting IFRS. However, Tendeloo and Vanstraelen (2005) who conducted a study inGermany [the country withthe code law system] found that the IFRS-adopters do not present different earnings management behaviorcompared to companies reporting underGerman GAAP. The findings of thisstudy indicate that 'high-qualitystandards' were not sufficient andeffective in countries with weak investorprotection. Indonesia is a developing country that adopts a code lawsystem, where the regulations made by

thegovernment are heavilyladen with politicalinterests. Dominance ofthegovernment in making theregulation could be abarrier in the processof IFRS convergence inaccounting standards.
This research is expected tocontribute to answering thequestion of whether highquality accounting standards are effective in improving thequality of financialstatement information forcompanies in non common law countries with weak investor protection rights.

IFRS is expected toimprove thecomparability and credibility of financial reporting in differentcountries. IFRSis also expected to to improve the quality of financialstatement information sothat reliable and relevant to be
used as a basis foreconomic decision.
Three categories in the measurementof the quality financial reporting
information that isoften used in previousresearch is earnings management, timelyloss recognition, and valuerelevance (Tendeloo and Vanstraelen, 2005;
Barth et al, 2006; Christensen and Walker, 2008; Cormier et al, 2009; Chen
and Lin, 2010, Iatridis, 2010; Liu etal,2011; Chua etal, 2012).

The hypotheses in this study are as follows:
H1: The implementation of IFRS reduces the scope of earnings management.
H2: The implementation of IFRS increase timely loss recognition.
H3: The implementation of IFRS increase the value relevance of accounting information.

The results of study showed that after the implementation of IFRS,
there has been a decrease in the scope of earnings management and
an increase in the value relevance, but there was no increase in timely
loss recognition.

This study only conducted for the 2 observation periods, this could make the testing results not overly sensitive to describe the effect of IFRS implementation on the quality of financial reporting information in Indonesia. Moreover, the study was not conducted on a wider disclosure, as one of the characteristics of IFRS. Therefore, future researches are expected to extend the observation period in order to examine the effect of IFRS implementation in greater sensitivetest and to minimize theinfluence
of other factors that are not directly related in predicting the presence
of earnings management.