# MARKET REACTION TO THE ADOPTION OF INTERNATIONAL FINANCIAL ACCOUNTING STANDARDS (IFRS) IN INDONESIA

**(Empirical Study of Companies Listed in LQ45 Index from 2010 until 2013)**

**A THESIS**

**Presented as Partial Fulfillment of the Requirements for the Degree of Sarjana Ekonomi (S1) in Accounting Program Faculty of Economics Universitas Atma Jaya Yogyakarta**


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I fully acknowledge that my writing does not contain others' or part (s) of others' writing, except for those that have been cited and mentioned in the references.

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**For I have to finish what I have started,**

**And that I always have the ability to do so.**

**I only need to be persistent, patient, and faithful.**

**Adisty Kok**

***This thesis is dedicated to the greatest love of my life,***

***Atang Suparman, Ari KN, and***

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## Abstract

On 2009, the Indonesian Institute of Accountants (Ikatan Akuntan Indonesia) as the standard setting body in Indonesia made a resolution that requires all publicly traded firms to apply IFRS-based PSAK as the basis for preparing financial statements. This resolution is effective started on January 1 2012. It is claimed that by adopting IFRS, the quality of financial statement is increased because IFRS requires fair value and more disclosure. If the degree of fair value and disclosure required in financial statements is higher than the previous standard, it is expected that more investors will use financial statements as their information in making investment decisions. Therefore, value relevance becomes stronger. When information has a greater value relevance, market is expected to be reacted.

This study aims to prove empirically whether there are significant changes of market reaction towards earnings announcement during the year 2010, 2011, 2012, and 2013, especially for companies listed in LQ45 Index. There are two time periods examined in this research; two years before IFRS mandatory adoption, and two years after IFRS mandatory adoption. There are two proxies of market reaction in this research; Average Abnormal Return and Cumulative Abnormal Return. This research uses the Kolmogorov-Smirnof Test to test the data distribution normality and Paired Sample T-test to test the hypothesis.

From the data analysis, it is concluded that Ho is not rejected, meaning that there is no significant differences on the abnormal return before and after IFRS adoption.

**Keywords:** market reaction, IFRS, average abnormal return, cumulative abnormal return, event study