

**THE IMPACT OF IFRS CONVERGENCE ON EARNINGS QUALITY OF
INDONESIAN MANUFACTURING FIRMS**

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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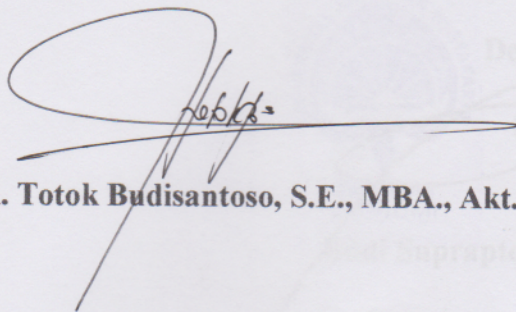
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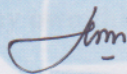
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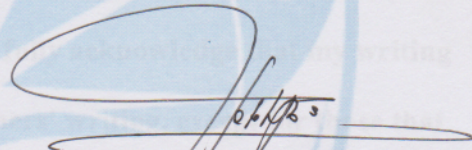
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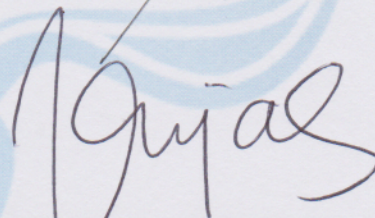
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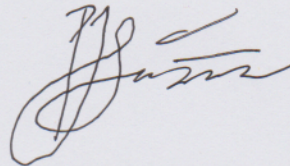
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**I, Peniel Jefferson Simarmata hereby declared that I compiled the thesis with
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**Is really my own thinking and writing, I fully acknowledge that my writing
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have been cited and mentioned in the bibliography.**

Yogyakarta, 16 March 2015



Peniel Jefferson Simarmata



*Be very careful, then, how you live—not as unwise but as wise,
making the most of every opportunity, because the days are evil.*

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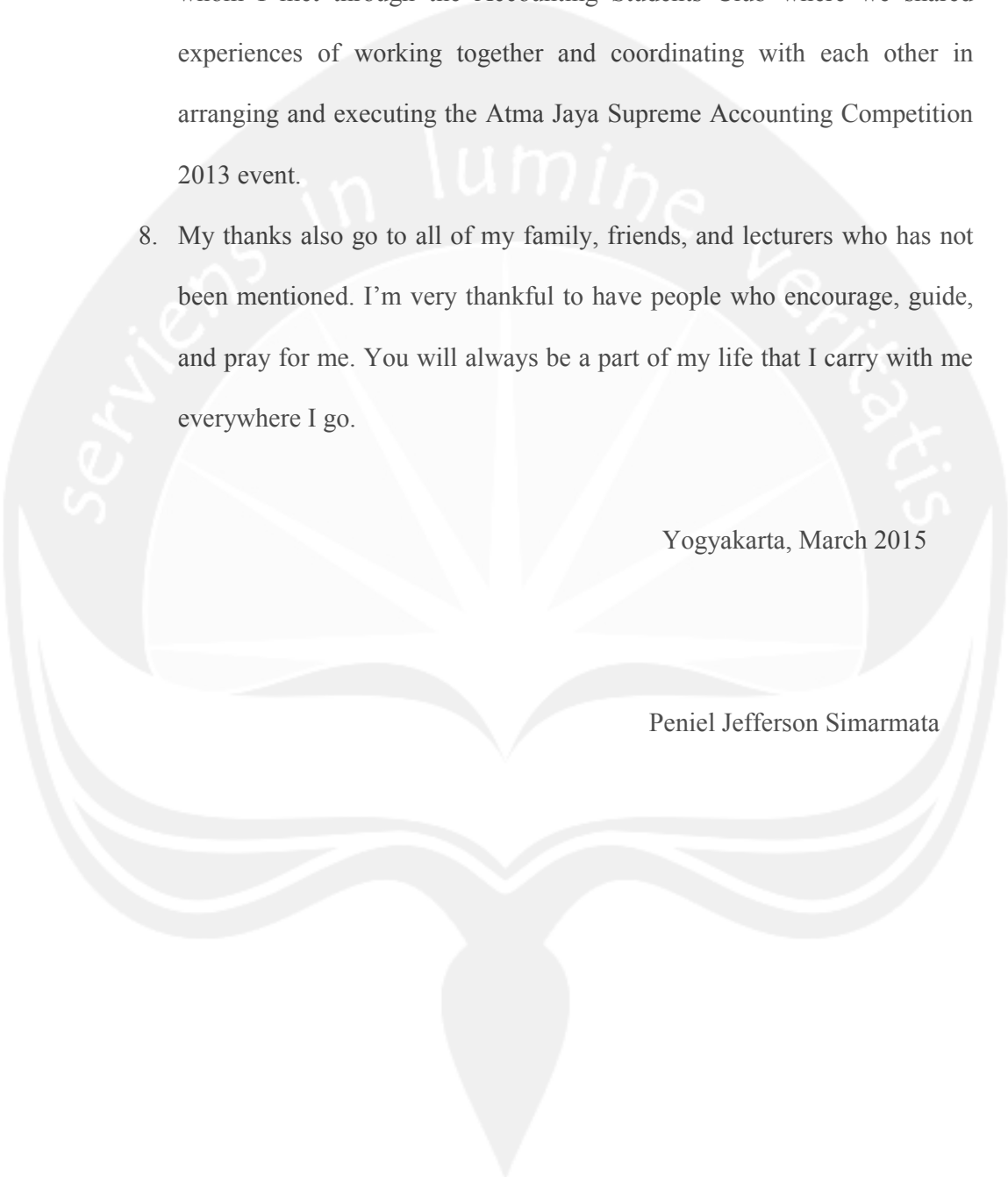
First and foremost, I would like to take this opportunity to express my deepest gratitude to God, Savior Lord Jesus Christ, and for the spiritual blessing of grace, the Holy Spirit, that dwells inside of me until this very day. He provides me strength in everything I do, including my undergraduate thesis, as long as I keep my heart open, be willing to experience the dealings He provides me, and contribute to the vision of the Body of Christ. May He be glorified in earth and His plan for us fulfilled because He is our God, as it should be expressed by us.

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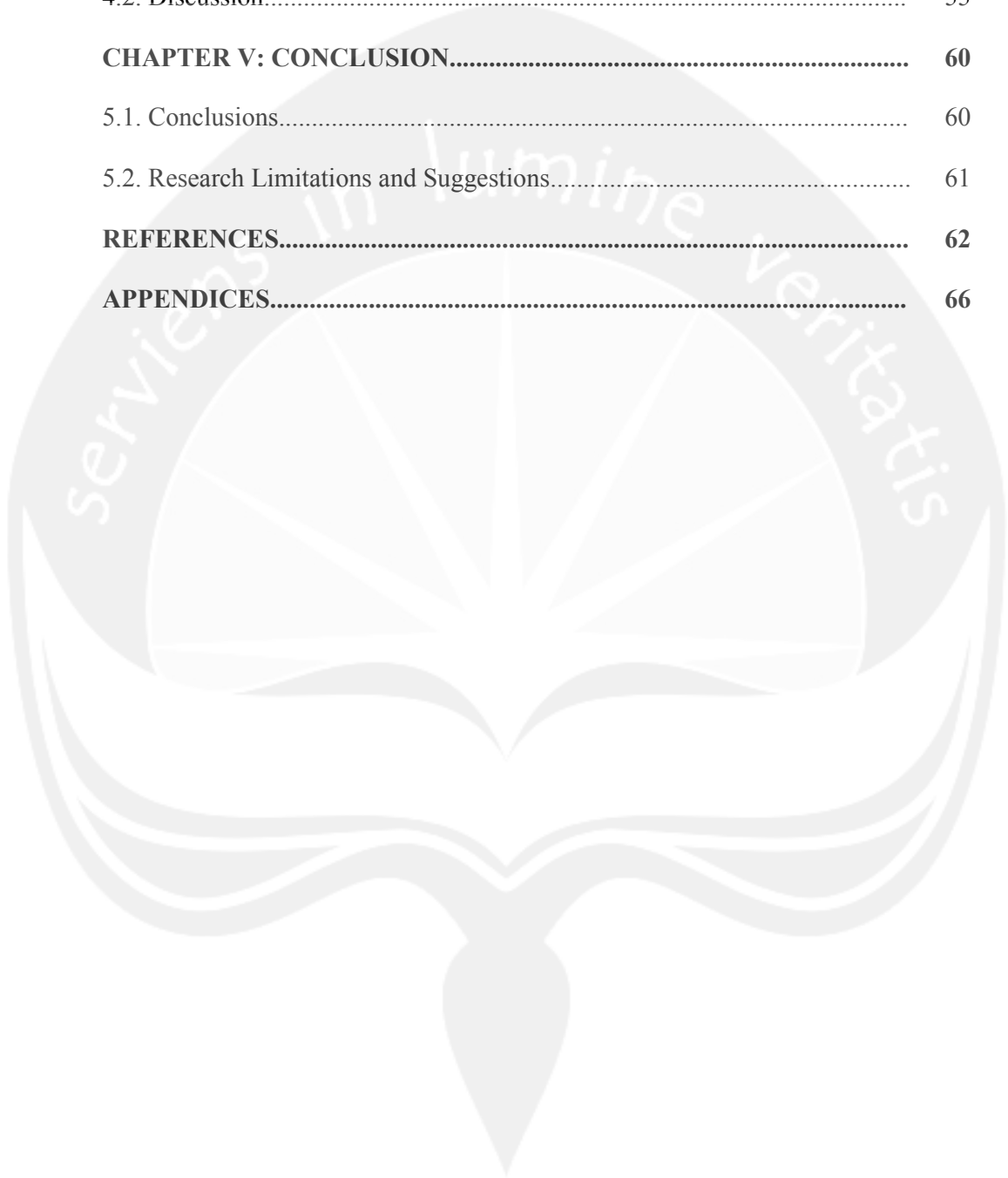
Peniel Jefferson Simarmata

TABLE OF CONTENTS

TITLE PAGE.....	i
APPROVAL PAGE.....	ii
COMMITTEE'S APPROVAL PAGE.....	iii
AUTHENTICITY ACKNOWLEDGEMENT.....	iv
ACKNOWLEDGEMENT.....	v
TABLE OF CONTENTS.....	ix
LIST OF TABLES.....	xii
LIST OF APPENDICES.....	xiii
ABSTRACT.....	xiv
CHAPTER I: INTRODUCTION.....	1
1.1. Research Background.....	1
1.2. Problem Statement.....	6
1.3. Research Objectives.....	6
1.4. Contribution of the Research.....	7
1.5. Data Analysis.....	7
1.6. Systematic Content.....	8
CHAPTER II: THEORETICAL BACKGROUND AND HYPOTHESIS DEVELOPMENT.....	10
2.1. Theoretical Background.....	10
2.1.1. International Financial Reporting Standards.....	10
2.1.2. Development of Accounting Standards in Indonesia.....	11

2.1.3. IFRS Convergence in Indonesia.....	13
2.1.4. IFRS Convergence.....	15
2.1.5. Agency Theory and Information Asymmetry.....	21
2.1.6. Earnings Quality and Earnings Management.....	22
2.1.7. Measures of Earnings Quality.....	27
2.2. Previous Research.....	33
2.3. Hypothesis Development.....	37
2.3.1. IFRS Convergence and Discretionary Accruals.....	37
2.3.2. IFRS Convergence and Earnings Smoothness.....	39
CHAPTER III: RESEARCH METHODOLOGY.....	42
3.1. Population and Sample.....	42
3.2. Data Collection Methods.....	42
3.3. Definition and Measurement of Operationalization Variables.....	43
3.4. Data Analysis Methods.....	46
3.4.1. Average of Earnings Quality.....	46
3.4.2. Normality Test.....	47
3.4.3. Hypothesis Testing.....	47
CHAPTER IV: DATA ANALYSIS AND DISCUSSION.....	49
4.1. Data Analysis.....	49
4.1.1. Descriptive Statistics.....	49
4.1.2. Normality Test.....	51
4.1.3. Hypothesis Test.....	52
4.1.3.1. IFRS Convergence and Discretionary Accruals.....	53

4.1.3.2. IFRS Convergence and Earnings Smoothness.....	54
4.2. Discussion.....	55
CHAPTER V: CONCLUSION.....	60
5.1. Conclusions.....	60
5.2. Research Limitations and Suggestions.....	61
REFERENCES.....	62
APPENDICES.....	66

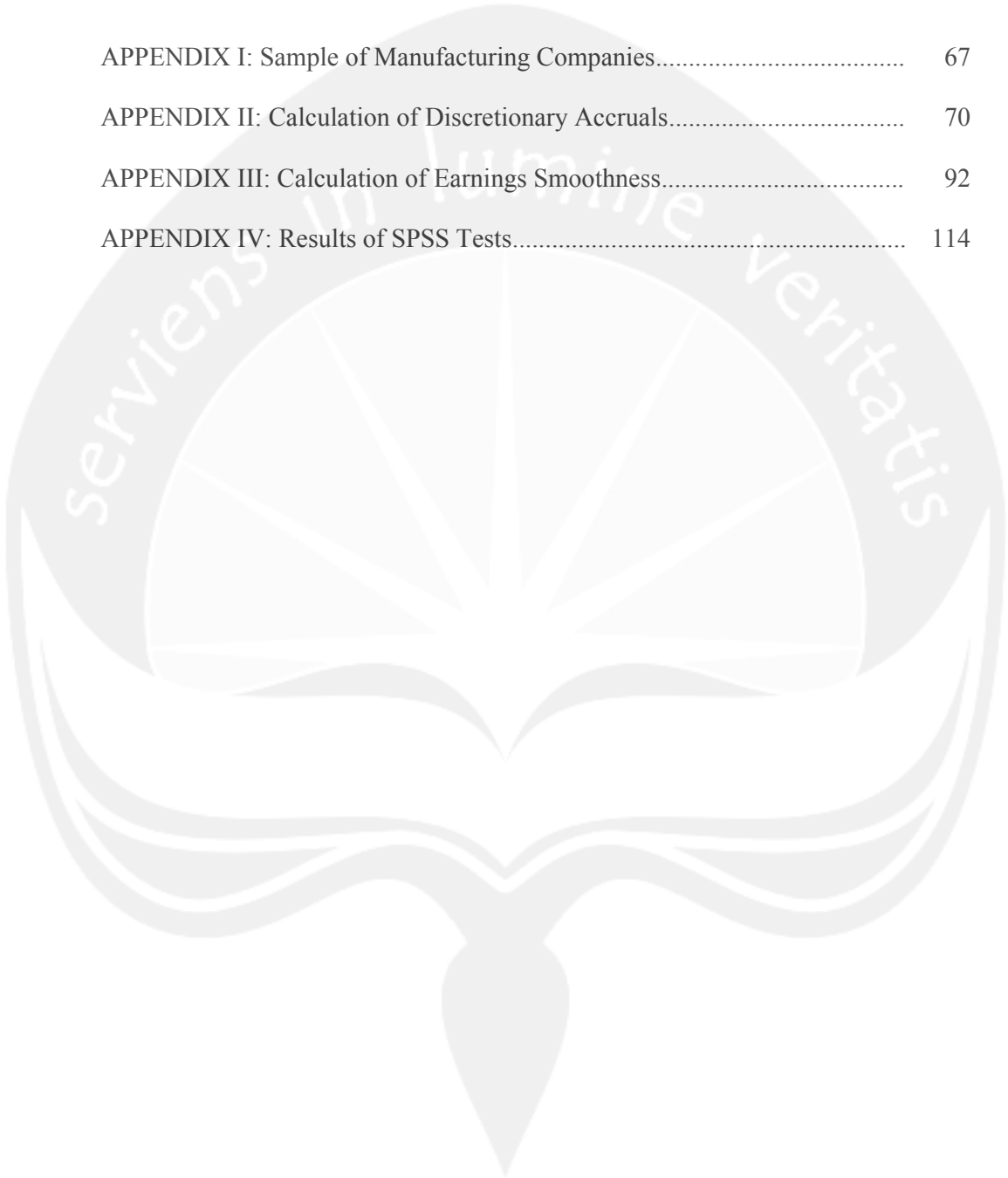


LIST OF TABLES

Table 2.1: IFRS Convergence Roadmap in Indonesia.....	15
Table 2.2: Accounting Standards for Employee Benefits.....	16
Table 2.3: Accounting Standards for Leases.....	17
Table 2.4: Accounting Standards for Share-based Payment.....	19
Table 2.5: Measures of Earnings Quality.....	28
Table 2.6: Previous Research.....	35
Table 3.1: Sampling Process.....	43
Table 4.1: Descriptive Statistics.....	50
Table 4.2: One Sample Kolmogorov-Smirnov Normality Test.....	52
Table 4.3: Wilcoxon Signed Ranks Test for Discretionary Accruals.....	54
Table 4.4: Wilcoxon Signed Ranks Test for Earnings Smoothness.....	54

LIST OF APPENDICES

APPENDIX I: Sample of Manufacturing Companies.....	67
APPENDIX II: Calculation of Discretionary Accruals.....	70
APPENDIX III: Calculation of Earnings Smoothness.....	92
APPENDIX IV: Results of SPSS Tests.....	114



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ABSTRACT

The number of studies investigating the relationship between IFRS convergence and earnings quality in Indonesia is still very small. IFRS is presumed to be high-quality accounting standards, which should be more useful for decision makers. This research examines any significant differences in the quality of earnings between before and after the full implementation of IFRS-based PSAK effective as of 1 January 2012. The proxies for earnings quality utilized in this research include discretionary accruals and earnings smoothness. The sample used in this research consists of manufacturing companies listed in Indonesia Stock Exchange from 2010 until 2013. Secondary archival data in the form of company financial statements is used in this research. This research utilizes the One Sample Kolmogorov-Smirnov normality test. The Wilcoxon Signed Ranks Test is utilized to test the hypothesis.

Results from the data analysis tests indicate no significant difference for the measure of discretionary accruals, but significant difference for earnings smoothness. The full implementation of IFRS convergence effective as of 2012 does not have significant impact on limiting the practice of management discretion on accruals. However, the convergence has significant impact on the scope of accounting choices and income items' recognition evident in the significant difference in the measure of fluctuating reported earnings.

Keywords: international financial reporting standards, discretionary accruals, earnings smoothness.