

CHAPTER V

CONCLUSIONS

5.1. Conclusions

In testing the hypothesis using 400 number of observations from listed manufacturing firms in Indonesia from 2005 until 2009, it can be conclude that:

1. The capital expenditures positively affect the uncertainty of future earnings. The higher capital expenditures spent by firms, the more uncertain the earnings. It is because of the nature of investment that contains uncertainty. Furthermore, it also caused by the wrong investment (e.g. not prospective, unprofitable, ineffective and inefficient) that firm choose.
2. Investment Opportunity Sets which show the future growth of the firm is proven to be able to moderate the relationship between capital expenditures and uncertainty of future earnings. Specifically, IOS can mitigate the positive relationship between those two variables. Firm whose investment opportunity sets is high, have more valuable opportunity to invest in the prospective investment that can reduce the uncertainty of the earnings. From the analysis, it shows that in Indonesia, IOS can encourage the firm to choose the efficient and effective investment. Therefore, firms that have high investment opportunity sets are able to execute those valuable investments options.

5.2. Limitation and Suggestion

The limitation of this research is the availability of the data that caused the uncertainty of future earnings only for 2006-2009. Since for the subsequent period (2010-2013), there is no data available to calculate the future earnings. The usage of Tobin's Q with the measurement used in this research is also one of limitation in this research. It is because the total liabilities are calculated by its book value, not market value. Since, to calculate the market value of total liabilities, it needs bold yield, which difficult to find in Indonesia. Furthermore, the calculation of current capital expenditures is also one of the constraints in this research. Although it uses the addition section of Property, Plant and Equipment, but some of the firms did not separate the addition, which is capital expenditures and revaluation. So, in some cases, the data cannot be assured that it is really the current capital expenditures. In addition, the outlier data in this research is directly trimmed without consider the firm. Thus, it makes the data are not in form of time series data (i.e. the data of a firm may not be nine years completely). Therefore, it is better to have a time series data for the next research.

Furthermore, examining the capital expenditures is not popular in Indonesia. Whereas it is very important since it is one of the routine expenditures spend by the firms and it relates with huge amount of resources. Thus, it can be the opportunity for the next research to explore the impact of capital expenditures in many aspects.

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ATB no 2

SFAC no. 5

SFAC no. 8

PSAK no. 16