THE EFFECT OF IFRS ADOPTION ON EARNINGS MANAGEMENT IN BANKING COMPANIES IN INDONESIA STOCK EXCHANGE

Prima Santy, Tawakkal, Grace T. Pontoh
Department of Accounting, Faculty of Business and Economics, Hasanuddin University
Makassar, South Sulawesi
Email: primasantyspace@gmail.com
ABSTRACT
The issue of the IFRS adoption as a standard that can lead to a decrease in earnings management. The research aimed to give empirical evidence concerning the effect of the IFRS adoption on earnings management and the test of the difference of earnings management level between before and after the IFRS adoption. The research scope focused on the implementation of IFRS adoption particularly PSAK No. 50 and PSAK No. 55 (revised 2006) concerning the financial instruments. The research objects were the banking companies listed in Indonesia Stock Exchange for 4 years (2008-2011). Samples were taken by using the purposive sampling technique. The main variables in this research are IFRS and earnings management. The research also includes several control variables i.e size, financial leverage, market to book value and institutional investor. The data were analyzed by using multiple regression analysis and different t-test analysis. The research result indicates that among the four control variables, size and financial leverage indicate the positive effect on earnings management. Market to book value indicates a negative effect, whereas institutional investor is found not to have significant effect. In this research, the adoption of IFRS is found not to have significant effect on earnings management. The results of different test analysis also indicates that statistically there is no significant difference of earnings management level between before and after the adoption of IFRS. Based on this research concluded that the adoption of IFRS has not fully guaranteed a decrease in earnings management yet.

Keywords: adoption of IFRS, earnings management, banking companies