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Global Conference on Business and Social Science Series conference homepage: www.gcbss.org The Accounting Conservatism of IFRS Adoption in Indonesia Juniarti1*, Devi Tirta Raharjo2, Regina Monica3 1,2,3

Petra Christian University, Jl. Siwalankerto 121-131, 60236, Surabaya, Indonesia ABSTRACT

21

The Indonesian Accounting Standard Setter has obliged companies to adopt

International Financial Reporting Standard (IFRS) since 2012. **The new standard**

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emphasizes relevance while the previous standard focus more on conservatism issues. Indeed, IFRS does not aim to reduce conservatism, but this aspect is no longer the emphasis of the new standard. There are concerns whether IFRS reduce conservatism. On the other hand, the results of prior studies on this issue are still scattered. Thus,

this study aims to search the level of conservatism in the post -IFRS

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adoption. Furthermore, Indonesia has adopted IFRS since 2012. It is time

to examine the benefit of IFRS adoption to the adopters. Using accounting

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conservatism model developed by Basu (1997), the authors compare the firm's conservatism in pre- and post

-adoption of IFRS. The companies listed on the Indonesian Stock

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Exchange for the

period 2006-2016 are used as the samples. There are 3.742 firm-year that consists of 394 companies from various industrial sectors. Data are analyzed using Pooled Least Square. The results show that conservatism exists in pre-IFRS adoption. Accounting earning is more sensitive to the negative return than to the positive return

in the pre-IFRS adoption. However, **in the post-** adoption **period the** sensitivity to **the**

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negative return is decreased. It means

that IFRS adoption **decreases the** level **of conservatism.**

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The Indonesian Accounting Standard Setter should pay attention to this result to evaluate the mandatory policy of IFRS, since it is likely reduce conservatism practices. Type of Paper: Empirical Keywords: Conservatism, Earning Quality, IFRS adoption, Indonesia, Pre- and Post-Adoption.

1.

Introduction In the global era, international financial standards are needed to synchronize financial report information of various countries so that it can be used by those who need it.

Indonesia as a member of the G20 has

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fully adopted the

International Financial Reporting Standard (IFRS) in the **Pernyataan Standar Akuntansi Keuangan (PSAK)**

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(Ikatan Akuntansi Indonesia, 2017). The adoption of IFRS poses an impact on earning quality due to its reliable accounting information (Yurt & Ergun, 2015; Krismiaji et al., 2016). * Corresponding author: E-mail: yunie@petra.ac.id Affiliation: Business Accounting, Petra Christian University GCBSS ©

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IFRS emphasis more on relevance, since, this standard offers an option to choose a fair value in presenting assets or liabilities in financial statements. The principle of fair value enables companies to present their financial information appropriately to the investors

(Barth et al., 2008; Yen et al.,

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2016).

There is huge evidence from prior studies that the adoption of IFRS

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in developed countries increases earning quality

(Chen et al., 2010; Houque et al., 2015; Manganaris et al., 2016; Okafor et al.,

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2016). This result seems

consistent with many studies in developing countries

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that the adoption of IFRS enhances the value relevance

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(Ismail

et al., 2013; Chebaane & Othman, 2014; Krismiaji et al.,

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2016; Outa et al., 2017). IFRS is the answer to the need to fulfill the relevance of financial information; however, some opponents of IFRS highlights the conservatism problem in the new standard. They worry that an over-concern on the issue of relevance will ignore other essential principles of financial reporting, namely conservatism (Watts, 2003; Hellman, 2008; Rebecca et al., 2015). The relevance principle in the IFRS adoption requires firms to present their assets and liabilities on fair value. It means that under IFRS adoption, companies will immediately recognize the unrealized gain or unrealized loss when it happens. IFRS does not deny loss whenever the cost below market, it is in-line with the conservatism principle that requires companies to recognize loss immediately (Basu, 1997). For relevance, the adoption of IFRS should not reduce the level of conservatism. However, there are still no solid results to date, whether IFRS adoption reduced levels of conservatism. Some prior studies found that IFRS adoption decreases the level of conservatism (Hellman, 2008; Andre & Filip, 2012; Andre et al., 2013; Lu & Trabelsi, 2013; Januarsi et al., 2014; Zeghal & Lahmar, 2016). Other studies proved that IFRS adoption increases the conservatism level (Gassen et al., 2006;

Barth et al., 2008; Lin et al., 2012; Bertin & Moya, 2013; Pulungan, 2014;

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Dobre et al.,

2015). Other studies, even failed to prove the conservatism level after IFRS adoption (Juanda, 2012; Hikmah, 2013; Sousa et al., 2016; Ghani et al., 2017; Prayanthi & Pantow, 2018). The above studies were carried out in many different countries with the unique institutional environment of common law and code law that possibly make the results were diverse

(Barth et al., 2008; Karampinis & Hevas, 2011; Andre & Filip, 2012). In the

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code-law countries like Indonesia, accounting standards are compiled by standard setters under state control and weak investor protection which not prioritize aspects of public disclosure (Karampinis & Hevas,

2011). The adoption of IFRS encourages code law countries to consider public disclosures. Therefore, this study aims to add evidence that

the adoption of IFRS in code-law countries, specifically in Indonesia, **does not** 12

reduce conservatism. In Indonesia, adoption of IFRS has been held since 2012. It has been six years since it required, it is the time

to examine the contribution **of IFRS adoption** for **the** 49

adopters. In contrast to previous research that was only carried out in certain sectors so it was not representative enough (Prayanthi & Pantow, 2018; Ghani et al., 2017; Januarsi et al., 2014; Pulungan, 2014; Hikmah, 2013), this research applies in all industrial sectors. To obtain more accurate results, we use a longitudinal. There are 3.742 observations, consist of 394 firms for the period 2006- 2016. The results show

that in the period of IFRS pre-adoption **in Indonesia,** 33

accounting conservatism exist. However, in the post-adoption, the sensitivity to timely recognize of negative returns is decline.

It can be concluded that IFRS adoption in 4

Indonesia reduces conservatism. The robustness test has been conducted to verify the results. Some implication and limitation of this study are discussed. The next part

of this research **is as follows.** Section **2** discusses **the theoretical** basis **and** 13
the development of **hypotheses.** Section **3** presents **the** research methods.
Section 4 and 5, each describes **the**

analysis and discussion including the empirical findings. The last section is the conclusions and limitations

of this study. 2. Theoretical Background and Hypotheses Development 17
2.1 Adoption of

IFRS in Indonesia The development of accounting standard in Indonesia has begun since 1973-1984. During that time, Indonesian Accounting Association (IAI) formed the Indonesian Accounting Principle Committee that established Indonesian Accounting Principles (PAI). In 1984, PAI revised PAI 1973 to become PAI 1984. At the end of 1994, the upholders of the Indonesian accounting standard revised the accounting principles and formed 35 coherent accounting standard statement with International Accounting Standard. There are several orientation shifts of Indonesian accounting standard from US GAAP to International Accounting Standards during 1994 - 2004 (Saputra & Hermawan, 2012). IAI stated that Indonesian accounting standard would fully converge to IFRS in 2008. Thus, the first stage of convergence if

IFRS started during 2006-2008. However, until the end of 2008, Indonesian accounting standard only adopted 10 IFRS standards out of 30. Therefore, the IFRS adoption stage is conducted during 2008-2010. Furthermore, the stage was continued with the end-of-the-year preparation stage in 2011 and the IFRS implementation in Indonesia in 2012. The fundamental difference

between US GAAP and IFRS is that the US GAAP

41

is rule-based focused, while International Accounting Standards is principle-based focused (Schroeder et al., 2013). Rule-based focus, which is used in US GAAP, is a detailed principle in the standard implementation that reduces uncertainty. The principle-based focus in the IFRS utilizes estimations which the accountants must be held responsible for and contains a considerable amount of Judgement Professional. Other than that, the US GAAP emphasizes historical cost, while IFRS uses the fair-value approach.

Fair value is the price which will be received on asset sales or

27

obligation return in a transaction on the measurement date. The benefits of the IFRS is relevant in business because it increases transparency, accountability and the financial statement comparability (IFRS, 2018). IFRS brings transparency by increasing the financial information quality so that the financial statement users will be able to make the correct financial decisions. IFRS reduces the information gap between the capital holder and the management will be able to increase accountability. With IFRS, financial statements across the world can be compared, and it will help investors to identify opportunities and risks. Thus, economic efficiency can be increased. Moreover, IFRS can reduce the cost of capital and other international reporting fees. 2.2 Conservatism Conservatism is

the principle of prudence in financial reporting and diversities in the

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profit and loss recognition verifiability (Watts, 2003). The conservatism application may influence the company to admit the probability

of bad news faster than good news (Basu, 1997). Hence, conservatism

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requires greater verification of

good news than bad news in the financial reports. The

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higher the difference in verification between bad news and good news, the higher the conservatism level. This conservatism may understate the earnings in financial statements

(Watts, 2002). There are two types of conservatism, which are conditional conservatism and non-conditional conservatism

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(Chan, 2009). Non

-conditional conservatism or **ex-ante** is the **conservatism** that is

50

related to the balance sheet. In the business environment, this non-conditional

conservatism is independent of **good news and bad news**.

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One of the

examples of non -conditional conservatism is **the use of**

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depreciation allocation methods with multiple declining balances, so the assets' book value becomes understated. Earnings that are generated by non-conditional conservatism are more consistent in the long-run. Whereas conditional or ex-post conservatism was established by Basu (1997). This type of conservatism relies on the news. Conditional conservatism is the difference in information verification that affects gains and losses in the business environment, which eventually, may affect the earnings. Accounting is considered to be conservative if the loss recognition is more on time than profit recognition. Conditional conservatism produces earning flow that is less persistent or consistent concerning length and more difficult to detect by investors. The benefits of the conservatism principle are still controversial (Savitri, 2016). Conservatism may limit managers' actions to exaggerate profits or assets and reduce conflicts between the management and the shareholders (Ahmed et al., 2002). However, Basu (1997) states that conservatism is a biased accounting system because it recognizes losses faster and recognizes profits slower and assesses assets with the lowest values and liabilities with the highest value. Therefore, it results in low-quality earnings and less relevant. 2.3 Hypotheses Development The requirement to adopt IFRS in Indonesia since 2012 has made alterations

in the financial reporting principles. **The purpose of** adopting **the IFRS**

36

is

to improve the earning **quality**. One **of the** measurements **of** earning **quality**

2

uses conservatism (Dechow & Schrand, 2004). The conservatism level immediately recognizes the possibility of loss, so that the loss is recognized following the fair value. IFRS does not disregard conservatism because IFRS follows the aspect of value relevance (Chen et al., 2010; Ismail

et al., 2013; Chebaane & Othman, 2014; Houqe et al.,

3

2015; Krismiaji et al., 2016; Manganaris

et al., 2016; Okafor et al., 2016; Outa et al., 2017). In IFRS, **the possibility of**

11

loss is recognized on time as in the conservatism principle. IFRS will protect all stakeholders of the company through transparent and reliable financial reports for decision making. The adoption of IFRS in emerging

countries, especially Indonesia, is the first step to

improve the transparency of financial reports through **the disclosure**

4

of the company's favorable conditions in order to avoid unexpected company failures. IFRS has a fair value measurement principle which means that the company will recognize financial statement instruments based on fair value. If the fair value is lower, then the company will immediately recognize losses based on market value, and vice versa (Marzuki & Wahab 2016). The fair value method gives the possibility to book an increase and even decrease in the value of assets that will affect the company's profit (Deloitte, 2017). When the asset value decreases, the company will immediately recognize the loss. Here, IFRS provide benefits by increasing the

timeliness of recognition of bad news (losses) and **good news**

14

(profits) at once without causing differences in the accuracy of time recognition between the two (Ke et al., 2013). Therefore, in this case, IFRS maintains conservatism by not reducing the level of conservatism. This aspect of analysis is supported by previous studies which proved

that there were **no significant** changes **in conservatism** after **the IFRS**

6

adoption (Juanda, 2012; Hikmah, 2013; Sousa et al., 2016; Ghani et al., 2017; Prayanthi & Pantow, 2018) The description above can be hypothesized as follows: H1. The level of conservatism in the IFRS adoption does not differ from the pre-IFRS adoption. 3. Research Methodology 3.1 Analysis Model 4 | Page The model that has been put forward to test the hypotheses is formulated as follows: $AC_i = a + b \cdot IA_i + e_i$ (1) Where: AC = Accounting conservatism company i IA = IFRS adoption company i a = Constant b = Regression coefficient e_i = error terms 3.2 Operational Variable Definition ? International Financial Reporting Standard (IFRS): this variable is measured by using dummy variables. The company is considered to have adopted the IFRS if the company uses IFRS-based PSAK in its financial reporting. Companies which have adopted the IFRS will be given code 1 and code 0 for the companies which have not adopted the IFRS. ? Conditional Accounting Conservatism: this research applies asymmetric earning timeliness measurements, following the Basu (1997) model. Basu (1997) model uses the piecewise- linear regression model. The measurement of good and bad news will use annual earnings. While the stock price will be utilized as a measurement of the news collection during one period because the stock price is a proper description of all information on the stock market. Therefore, the model that is used is: $SRET_{it} = \alpha + \beta_1 \cdot DRET_{it} + \beta_2 \cdot E_{it} + \beta_3 \cdot P_{it} + \beta_4 \cdot X_{it} + e_{it}$ (2) Where: X = company

i's earning **per share** on **year t**

7

P = company

i's price **per share** on **year t**

7

SRET = company i's stock return on year t DRET = 1 if SRET < 0 and 0 if vice versa

To examine the effect **of IFRS adoption, the** dummy variable **of**

5

IFRS is added to Basu (1997) model in equation 1. So the conservatism model used is as follows: $-1 = 0 + 1 * + 0 * + 1 * * + 0 * * + 1 * * + 2 * * * + (3)$ Where: X = company

i's earning per share on year t 7

P = company

i's price per share on year t 7

SRET = company i's stock return on year t DRET = 1 if SRET <0 and 0 if vice versa PREPOST = 1 for the adoption of IFRS and 0 if vice versa
 3.3 Research Sample The companies' samples were collected from all industries in Indonesia, namely the consumer goods industry, basic and chemicals industries, finance, mining, agriculture, property, real estate and construction, infrastructure, utilities, and transportation as well as various other industries. The results of this research are expected to be able to be generalized to all public

companies listed in Indonesia Stock Exchange. The 15

criteria for selecting the samples in this research are;

(1) the company is listed on the Indonesia Stock Exchange 2

by 2010 and (2) remains as a public company by 2018. Stock prices and accounting data are taken from Bloomberg and Yahoo Finance. 4. Results There are 394 company samples which fulfilled the criteria with the total sample of 3,742 book years. The data in this study represent all industrial sectors. The results of the research sample screening with the stated criteria above

can be seen in Table 1 while **Table 2** shows **the** composition of 31

samples grouped by each industrial sector. Table 1. Selection of Sample Criteria of Sample Total Companies Total companies listed in Indonesia Stock Exchange 555 Total companies conducted IPOs after 2010 (156) Total companies delisted in 2018 (5) Total companies that fulfill the criteria 394 Total sample by firm-year (394 companies x 11 years) 4.334 Incomplete data (592) Total sample 3.742 Table 2. Sample per Industrial Sector Industrial Sector Total % 1 2 3 4 5 6 7 8 9 Miscellaneous Industry Consumer goods industries Chemical and basic industry Infrastructure, utilities, and transportation Finance Trade, services, and investment Mining Agriculture The property, Real Estate Total 34 9% 31 8% 55 14% 30 8% 67 17% 91 23% 32 8% 13 3% 41 10% 394 100%

Table 3. Descriptive Statistics (All Sample) **Variable Mean Median S .D.** 32
Min Max

EPSPRICE SRET SRETDRET PREPOSTSRET PREPOSTDRET PREPOSTSRETDRET -0.0797 0.000
 -0.140 0.000 0.0962 0.000 0.239 0.000 0.0954 0.0545 1.51 0.139 0.0197 1.31 0.201 -1.99 0.000 0.265 -2.19

0.000 1.23 -1.99 51.9 0.426 0.000 1.00 -18.0 59.1 -2.19 51.9 Table 4. Descriptive Statistics in Pre-Adoption IFRS Variable Mean Median S.D. Min Max EPSPRICE 0.199 0.0595 2.24 -18.0 59.1 SRET 0.118 0.000 0.749 -2.19 10.3 SRETDRET -0.167 0.000 0.300 -2.19 0.000 Table 5. Descriptive Statistics in Post-Adoption IFRS Variable Mean Median S.D. Min Max EPSPRICE 0.0258 0.0519 0.660 -14.3 9.53 SRET 0.151 0.0315 1.54 -1.99 51.9 SRETDRET -0.125 0.000 0.241 -1.99 0.000 The mean from EPSPRICE before the IFRS adoption period in Indonesian companies was 0.199, while for after IFRS adoption was 0.0258. The mean decrease of IFRS shows that shares before the IFRS adoption were more undervalued than after the IFRS adoption. The higher the EPSPRICE value, the more the company shares that are undervalued. Overall, the EPSPRICE mean is 0.0954. The standard deviation of the EPSPRICE is 1.51 which means that data between individuals with the mean has a small deviation possibility. The minimum EPSPRICE value is -18 and the maximum EPSPRICE value is 59.1. Before the IFRS adoption, SRET

has a mean value of 0.118, and after the adoption of IFRS, 46

the mean value is 0.151. This phenomenon shows that there is an increase in stock returns from before IFRS adoption. The mean value of SRET

before IFRS adoption is 0.139 and after IFRS adoption, the SRET value 25
is

0.0962.

In the pre-adoption period of 9

IFRS, SRET has a standard deviation of 1.31,

a minimum value of -2.19 and a maximum value of 2

51.9. Whereas for the post-adoption period, IFRS has a standard deviation of 1.23, the minimum value which is -1.99 and the maximum value which is 51.9. Before IFRS adoption, SRETDRET had a mean of -0.167 and -0.125 after the IFRS adoption. Before

IFRS adoption period to after the IFRS adoption period, there was a 5
consistent

increase in SRETDRET mean value as a whole from -0.140 to -0.0797.

In the IFRS pre- adoption period, the standard deviation of SRETDRET is 9

0.265 with a

minimum value of -2.19 and the maximum value of 0. While after **the** 8

IFRS adoption, the standard deviation of SRETDRET is 0.201,

with the minimum value of -1.99 and the maximum value of 0.

8

4.1 Hypothesis Testing Hypothesis testing stated above uses IFRS independent variables as measured by the dummy variable on the dependent variable which is measured by earnings per stock return. The results regression equation testing for the

variables can be seen in Table 6 below: Table

2

6. Hypothesis Testing

Coefficient Std. Error t-ratio p-value const

1

SRET DRET SRETDRET PREPOSTSRET 0.0353054 0.0304823 1.158 0.2468 -0.0822891 0.0559550
-1.471 0.1415 0.395812 0.0934499 4.236 <0.0001 *** 0.306007 0.173503 1.764 0.0779 * 0.0730370
0.0575709 1.269 0.2046 PREPOSTDRET -0.344310 0.107938 -3.190 0.0014 *** PREPOSTSRETDRET
-0.289740 0.226149 -1.281 0.2002 The test which was conducted on 399 samples of Indonesian
companies in all industrial sectors shows

that IFRS adoption has a negative influence on conservatism

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practice. DRET has proven to be significantly positive, even though SRET, as an absolute number, is insignificant. Before IFRS adoption, the significance of DRET shows that accounting earnings are

more sensitive to negative returns than positive returns.

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Supported by SRETDRET, which

is positive and quite significant, the result indicates that before the IFRS adoption, accounting

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profit contains more negative returns than positive returns. Thus, it is proven that conservatism exists even before the adoption of IFRS. When SRET is associated with PREPOST, it becomes PREPOSTSRET, and it is consistently insignificant because SRET itself is insignificant. PREPOSTDRET is significant; however, it has a negative sign. It means that the

sensitivity of accounting earnings over negative returns rather than positive returns decreases.

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This case shows that

there is a decrease in conservatism after the adoption of IFRS.

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Furthermore, PREPOSTSRET DRET is

not significant because SRET and PREPOSTSRET are not significant. However, from the F test results, the significance level is 0.000040, which is below 0.05. It indicates that SRET, DRET, SRETDRET, PREPOSTSRET, PREPOSTDRET, and PREPOSTSRETDRET significantly affect the EPSPRICE. 4.2 Robustness Testing To verify of the hypothesis testing results, it was done the additional testing by grouping the samples into two categories, i.e. before IFRS adoption and after IFRS adoption.

Test results are presented in Table 7 and Table 8. Table 7.

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Hypothesis Testing for Pre-IFRS Adoption

Coefficient Std. Error t-ratio p-value const 0.143886 0.0920040 1.564 0.
1181 SRET -0.150197 0.100077 -1.501 0.

1

1336 DRET 0.287231 0.165438 1.736 0.0828 * SRETDRET 0.373915 0.274513 1.362 0.1734 Table 8.
Hypothesis Testing for Post-IFRS Adoption

Coefficient Std. Error t-ratio p-value const -0.00402836 0.0175093
-0.2301 0.8181 SRET -0.00458224 0.00888831 -0.5155 0.

1

6062 DRET 0.0908356 0.0351895 2.581 0.0099 *** SRETDRET 0.0115973 0.0716279 0.1619 0.8714 The results indicate that after IFRS adoption,

there is a consistent decrease in conservatism compared to the results of previous hypothesis testing.

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Both of the DRET groups are significant and positive. While for IFRS pre-adoption period indicates that accounting profit is more sensitive to negative returns. However, the sensitivity decreases within the IFRS post-adoption, which is shown by the decrease in the DRET coefficient from 0.287231 to 0.0908356. The absolute numbers from DRET, SRET,

both in pre-adoption and post-adoption of the IFRS

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are consistently insignificant. When SRET is linked to DRET in both of the groups, the SRETDRET was insignificant. From the F test results, with significance below 0.05, SRET, DRET, and SRETDRET indicate that all of them significantly affect EPSPRICE in

pre- and post-adoption IFRS. 5. Discussion The result of the

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research shows

that IFRS adoption has a significantly **negative** influence **on** conservatism.

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The result is

consistent with IFRS adoption testing on conservatism by splitting them into the period

before and after IFRS adoption. Therefore, **IFRS does not**

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maintain conservatism. IFRS stresses on relevance on fair value, in which loss and gain are recognized under fair value. While in conservatism, the only loss which is recognized at fair value. Therefore, after the IFRS adoption, earning contains gain and loss, unlike conservatism which contains only loss. It means that there is decreases in the conservatism practice, which is indicated by the decrease in sensitivity of return to earnings. That needs to be taken into account by investors. It indicates that IFRS cannot protect stakeholders since financial report is not transparent and reliable for decision making. So, investors are required to analyze the accounting information of the company first. IFRS is assumed to improve earnings quality. However, the results indicate that IFRS adoption decreases conservatism, which is one of the measurements of earnings quality (Dechow & Schrand, 2004). As a result, the goal of IFRS implementation cannot be achieved. Therefore, the upholders of Indonesian accounting standards need to be aware of IFRS adoption obligations in Indonesia which result in a decline in conservatism. Also, from this research, management needs to realize that IFRS adoption may reduce conservatism. When conservatism decreases, the quality of earnings decreases which contradicts to relevance. This phenomenon may reduce the decision quality of IFRS-based financial statement users. 6. Conclusion This research aims to prove the conservatism level

after the adoption of IFRS. The **results of this research show** that **there**

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is a practice of conservatism even before IFRS adoption. Unfortunately, we cannot prove

that the level of conservatism still exists **in the post-**

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adoption. There is a tendency to decrease accounting conservatism practices in Indonesia, after

the adoption of IFRS. It is indicated by **the decrease of accounting**

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earnings sensitivity towards the recognition of the possibility of negative returns. The results are robust through the additional testing by grouping samples into two periods which is the IFRS

pre-adoption and IFRS post-adoption period. Due to **the decrease in**

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conservatism after the adoption of IFRS, investors are suggested **to** analyze **the**

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company's accounting information beforehand due to the decrease in the return sensitivity to accounting

earnings. The Indonesia Accounting Standard Setter need to be aware of the tendency of the decline of the level of conservatism

after the mandatory adoption of IFRS, which implies that the earning quality

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decreases. Besides, management needs to be aware that IFRS adoption may reduce conservatism which contradicts to the relevance. This research has some limitations, including, we only apply one type of conservatism, which is earnings per stock return relations, future research is suggested to compare two types of conservatism. References Ahmed, A. S., Billings, B. K., Morton, R. M., & Harris, M. S. (2002). The Role of Accounting Conservatism in Mitigating Bondholder-Shareholder Conflicts over Dividend Policy and in Reducing Debt Costs. *The Accounting Review*, 77(4), 867-890. doi:10.2308/accr.2002.77.4.867 Andre, P., & Filip, A. (2012). Accounting Conservatism in Europe and the Impact of Mandatory IFRS Adoption: Do country, institutional and legal differences survive? ESSEC KPMG Financial Reporting Centre, 1-57. Andre, P., Filip, A., & Paugman, L. (2013). Impact of Mandatory IFRS on Conditional Conservatism in Europe. ESSEC Working Paper. Retrieved from <https://hal-essec.archives-ouvertes.fr/hal-00862683> Barth, M. E., Landsman, W. R., & Lang, M. H. (2008). International Accounting Standards and Accounting Quality. *Journal of Accounting Research*, 46(3), 467-498. doi:10.1111/j.1475-679X.2008.00287.x Basu, S. (1997). The Conservatism Principle and the Asymmetric Timeliness of Earnings. *Journal of Accounting and Economics*, 24(1), 3-37. Bertin, M. J., & Moya, J. T. (2013). The Effect of Mandatory IFRS Adoption on Accounting Conservatism of Reported Earnings: Evidence from Chilean Firms. *Academia Revista Latinoamericana de Administracion*, 26(1), 139-169. doi:10.1108/ARLA-05-2013-0043 Chan, K. (2009). Impact of Intellectual Capital on Organizational Performance: An Empirical Study of Companies in The Hang Seng Index. *Journal of Intellectual Capital*, 16(1), 4-21. Chebaane, S., & Othman, H. (2014). The Impact of IFRS Adoption on Value Relevance of Earnings and Book Value of Equity: The Case of Emerging Markets in African and Asian Regions. *Procedia-Social and Behavioral Sciences*, 145, 70-80. Chen, H., Tang, Q., Jiang, Y., & Lin, Z. (2010). The Role of International Financial Reporting Standards in Accounting Quality: Evidence from the European Union. *Journal of International Financial Management and Accounting*, 21(3), 220-278. Dechow, P. M., & Schrand, C. M. (2004). Earnings Quality. The Research Foundation of CFA Institute, 4(3), 1-152. Deloitte. (2017). IAS 39 – Financial Instruments: Recognition and Measurement. Retrieved from <https://www.iasplus.com> Dobre, F., Brad, L., & Ciobanu, R. (2015). Timely Loss Recognition and The Value Relevance of The Romanian Listed Companies Considering The IFRS Approach. *Accounting and Management Information Systems*, 14(4), 732-747. Ebaid, I. E.-S. (2016). International Accounting Standards and Accounting Quality in Code-law Countries. *Journal of Financial Regulation and Compliance*, 24(1), 41-59. doi:10.1108/JFRC-12-2011-0047 Gassen, Joachim, & Sellhorn, T. (2006). Applying IFRS in Germany - Determinants and Consequences. Working Paper Universitat zu Berlin. Ghani, E. K., Santi, M., & Puspitasari, E. (2017). Analysis of Unconditional Conservatism and Earnings Quality on Financial Reporting Practices in Indonesia upon IFRS Convergence. *Management & Accounting Review*, 16(1), 75-88. Hellman, N. (2008). Accounting Conservatism under IFRS. *Accounting in Europe*, 5(2), 71-100. doi:10.1080/17449480802510492 Hikmah, L. (2013). Analisis Perbedaan Prinsip Konservatisme Akuntansi dalam Penerapannya di IFRS. *Accounting Analysis Journal*, 2(3), 330-336. Houqe, N., Monem, R. M., Tareq, M., & Zijl, T. v. (2015). Secrecy, Mandatory IFRS Adoption, and Earnings Quality. Working Paper Series, 1-37. IFRS. (2018). Why Global Accounting Standards? Retrieved from IFRS Web Site: <http://www.ifrs.org> Ikatan Akuntan Indonesia. (2017). Pengertian Standar Akuntansi Keuangan (SAK). Retrieved from Ikatan Akuntan Indonesia: <http://iaiglobal.or.id> Ismail, W. A., Kamarudin, K. A., Zijl, T. v., & Dunstan, K. (2013). Earnings Quality and the Adoption of IFRS-based Accounting Standards: Evidence from an Emerging Market. *Asian Review of Accounting*, 21(1), 53-73. doi:10.1108/13217341311316940 Januarsi, Y., Hartanto, T., & Sabarudin. (2014). IFRS Convergence, Accounting Conservatism, and Examination on Moderating Effect of Woman Presence in Audit Committee in Indonesia. *Review of Integrative Business & Economics*, 4(1), 176-183. Juanda, A. (2012). Kandungan Prinsip Konservatisme dalam Standar Akuntansi

