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4 messages

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To: yunie@petra.ac.id, juniarti012@gmail.com
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Dear Dr. Juniarti,

We have received the review outcome and pleased to inform you that your paper titled "The Accounting Conservatism of IFRS Adoption in Indonesia" CIBSSR-00279 is considered suitable for publication, subject to satisfactory minor revisions in a regular issue of GATR Accounting and Finance Review (AFR). Please find the below review comments, authors instructions, similarity report, copyright and consent forms. You are advised to read comments carefully and submit the final version of the paper with required forms to me not later than **27th November 2018 at gcbsscommittee@gmail.com and admin@gcbss.org.** After that day we will not entertain your paper for this journal. We appreciate your cooperation for timely publication AFR Vol 3 (4) online and print.

REVIEW COMMENTS:

Some literature sources are not properly presented (lack of journal name etc.)

The author cites some sources from high rated Scopus journals.

Conclusion section is narrow, the author should improve the conclusion section and add future research and implication.

The Paper needs English proofreading – many errors

Decrease similarity ratio.

If you may have any query, please feel free to write at admin@gcbss.org

Indexing: http://gatrenterprise.com/GATRJournals/indexing.html.

Kind Regards,

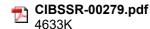Ms. Flora AnakJanting, GCBSS Team

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Pls confirm if you have received these files
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Dr. Juniarti, M.Si., Ak., CA
Department of Accountancy
Petra Christian University
Jl.Siwalankerto 121-131
Surabaya 60236
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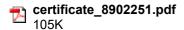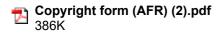**Juniarti .** <yunie@petra.ac.id>   Mon, Nov 26, 2018 at 12:33 PM
To: Devi Tirta <m32415069@john.petra.ac.id>, "REGINA MONICA ," <m32415163@john.petra.ac.id>

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The Accounting Conservatism of IFRS Adoption in Indonesia

Juniarti[1*], Devi Tirta Raharjo[2], Regina Monica[3]

[123] Petra Christian University, Jl. Siwalankerto 121-131, 60236, Surabaya, Indonesia

ABSTRACT

Objective – The Indonesian Accounting Standard Setter has obliged companies to adopt the International Financial Reporting Standard (IFRS) since 2012. The new standard emphasizes relevance, while the previous standard focuses 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 about whether IFRS reduces conservatism. Results of prior studies on this issue are still scattered. Thus, this study aims to determine the level of conservatism in the post-IFRS adoption. Furthermore, Indonesia adopted IFRS in 2012. It is time to examine the benefit of IFRS adoption to the adopters.

Methodology/Technique – Using the accounting conservatism model developed by Basu (1997), the authors compare the firm's conservatism pre- and post-adoption of IFRS. The companies listed on the Indonesian Stock Exchange for the period 2006-2016 are used as the sample. There are 3.742 firm-years that consist of 394 companies from various industrial sectors. Data are analyzed using Pooled Least Square.

Findings – The results show that conservatism existed pre-IFRS adoption. Accounting earnings are more sensitive to the negative return than to the positive return pre-IFRS adoption. However, in the post-adoption period, sensitivity to the negative return is decreased. This means that IFRS adoption decreases the level of conservatism. The Indonesian Accounting Standard Setter should pay attention to this result to evaluate the mandatory policy of IFRS, since it is likely to reduce conservatism practices.

Novelty – This study explores the conservatism issue of IFRS adoption using longitudinal data to provide additional evidence of the existence of conservatism after adoption.

Type of Paper – Empirical

Keywords – Conservatism, Earning Quality, IFRS adoption, Indonesia, Pre- and Post-adoption.

JEL Classification – M41, M48

1. Introduction

In the global era, international financial standards are needed to synchronize financial report information of various countries so it can be used by those who need it worldwide. Indonesia as a member of

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[*] Corresponding author:

E-mail: yunie@petra.ac.id

Affiliation: Business Accounting, Petra Christian University

the G20 has fully adopted the International Financial Reporting Standard (IFRS) into the local standard, i.e., Statement of Financial Accounting Standard (Ikatan Akuntan Indonesia, 2017). The adoption of IFRS affects earnings quality through reliable accounting information (Yurt & Ergun, 2015; Krismiaji et al., 2016).

IFRS places more emphasis 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 investors (Barth et al., 2008; Yen et al., 2016). There is huge evidence from prior studies that the adoption of IFRS in developed countries increases earnings quality (Chen et al., 2010; Houqe et al., 2015; Manganaris et al., 2016; Okafor et al., 2016). This result seems consistent with many studies in developing countries (Ismail et al., 2013; Chebaane & Othman, 2014; Krismiaji et al., 2016; Outa et al., 2017).

IFRS is the answer to the need to fulfill the relevance of financial information; however, some opponents of IFRS highlight the conservatism problem in the new standard. They worry that over-concern with 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 IFRS adoption requires firms to present their assets and liabilities on fair value. It means that under IFRS adoption, companies will immediately recognize unrealized gain or unrealized loss when it occurs. IFRS does not deny loss whenever the cost is below market. It aligns 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 about 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 have 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; 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).

These studies were carried out in many different countries with the unique institutional environments of common law and code law that may possibly make the results diverse (Barth et al., 2008; Karampinis & Hevas, 2011; Andre & Filip, 2012). In code-law countries like Indonesia, accounting standards are compiled by standard setters under state control and weak investor protection that does 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 reduce conservatism.

In Indonesia, IFRS has been adopted since 2012. Thus, it is time to examine the contribution of IFRS adoption for the adopters. In contrast to previous research that was only carried out in certain sectors and therefore was not sufficiently representative (Prayanthi & Pantow, 2018; Ghani et al., 2017; Januarsi et al., 2014; Pulungan, 2014; Hikmah, 2013), this research applies to all industrial sectors. To obtain more accurate results, we use longitudinal data. There are 3.742 observations consisting of 394 firms for the period 2006-2016.

The results show that in the pre-adoption period of IFRS in Indonesia, accounting conservatism existed. However, in the post-adoption period, the sensitivity to recognize negative returns in a timely way is declining. It can be concluded that IFRS adoption in Indonesia reduces conservatism. Robustness testing has been conducted to verify the results.

The study is organized as follows. Section 2 discusses the theoretical basis and the development of hypotheses. Section 3 presents the research methods. Sections 4 and 5 describe the analysis and discussion, respectively, including the empirical findings. The last section discusses the conclusions and limitations of this study.

2. Theoretical Background and Hypotheses Development

2.1 Adoption of IFRS in Indonesia

The development of accounting standards in Indonesia began in 1973-1984. During that time, the Indonesian Accounting Association (IAI) formed the Indonesian Accounting Principle Committee that established Indonesian Accounting Principles (PAI). In 1984, PAI revised PAI 1973, calling the new standard PAI 1984. At the end of 1994, the upholders of the Indonesian accounting standard revised the accounting principles and issued 35 coherent accounting standard statements with International Accounting Standard. From 1994 to 2004, several orientation shifts occurred of the Indonesian accounting standard from US GAAP to International Accounting Standards (Saputra & Hermawan, 2012).

IAI stated that the Indonesian accounting standard would fully converge with IFRS in 2008. Thus, the first stage of convergence with IFRS started during 2006-2008. However, as of the end of 2008, the Indonesian accounting standard had only adopted 10 IFRS standards out of 30. Therefore, the IFRS adoption stage was conducted during 2008-2010. Furthermore, the stage continued with the end-of-the-year preparation stage in 2011 and IFRS implementation in Indonesia in 2012.

The fundamental difference between US GAAP and IFRS is that US GAAP is rule-based, while International Accounting Standards is principle-based (Schroeder et al., 2013). A rule-based focus is a detailed principle in the standard implementation that reduces uncertainty. A principle-based focus utilizes estimations that the accountants must be held responsible for and requires a considerable amount of professional judgment. Furthermore, US GAAP emphasizes historical cost, while IFRS uses the fair-value approach. Fair value is the price that will be received on asset sales or obligation return in a transaction on the measurement date.

The benefits of IFRS are relevant in business because it increases transparency, accountability and the comparability of financial statements (IFRS, 2018). IFRS brings transparency by increasing the quality of financial information so that financial statement users will be able to make correct financial decisions. IFRS reduces the information gap between the capital holder and management to increase accountability. With IFRS, financial statements around the world can be compared, and investors can therefore 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 verifiability of profit and loss (Watts, 2003). The conservatism application may influence a company to admit to bad news faster than to good news (Basu, 1997). Hence, conservatism requires greater verification of good news than bad news in financial reports. The higher the difference in verification between bad news and good news, the higher the conservatism level. Thus, conservatism may understate earnings in financial statements (Watts, 2002).

There are two types of conservatism, conditional conservatism and non-conditional conservatism (Chan, 2009). Non-conditional conservatism or ex-ante is related to the balance sheet. In the business environment, non-conditional conservatism is independent of good news and bad news. One example of non-conditional conservatism is the use of depreciation allocation methods with multiple declining balances, so the asset's book value is understated. Earnings that are generated by non-conditional conservatism are more consistent in the long run.

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 earnings. Accounting is considered conservative if loss recognition is more on time than profit recognition. Conditional conservatism produces an earnings flow that is less persistent or consistent in length and more difficult for investors to detect.

The benefits of the conservatism principle are still controversial (Savitri, 2016). Conservatism may limit managers' actions to exaggerate profits or assets and to reduce conflicts between management and

shareholders (Ahmed et al., 2002). However, Basu (1997) states that conservatism is a biased accounting system because it recognizes losses faster and 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 by 2012 has generated alterations in financial reporting principles. The purpose of adopting IFRS is to improve earnings quality. One measurement of earnings quality 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 it follows the guideline of value relevance (Chen et al., 2010; Ismail et al., 2013; Chebaane & Othman, 2014; Houqe et al., 2015; Krismiaji et al., 2016; Manganaris et al., 2016; Okafor et al., 2016; Outa et al., 2017). In IFRS, the possibility of 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 improving the transparency of financial reports through the disclosure of the company's favorable conditions 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 creates 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 provides benefits by increasing the timeliness of recognition of bad news (losses) and good news (profits) at once without causing differences in the accuracy of time recognition between the two. Therefore, in this case, IFRS maintains conservatism by not reducing the level of conservatism.

This aspect of analysis is supported by previous studies that found no significant changes in conservatism after the IFRS adoption (Juanda, 2012; Hikmah, 2013; Sousa et al., 2016; Ghani et al., 2017; Prayanthi & Pantow, 2018). The description can be hypothesized as follows.

H1. *The level of conservatism in the IFRS adoption does not differ from that of the pre-IFRS adoption.*

3. Research Methodology

3.1 Analysis Model

The model put forward to test the hypothesis is formulated as follows:
$$AC_{it} = \alpha + \beta_j IA_{jit} + \varepsilon_{it} \tag{1}$$
where:

AC = Accounting conservatism company i
IA = IFRS adoption company i
a = Constant
b = Regression coefficient
Ei = error terms

3.2 Operational Variable Definition

- International Financial Reporting Standard (IFRS): this variable is measured using dummy variables. The company is considered to have adopted the IFRS if the company uses IFRS-based PSAK in its

financial reporting. Companies that have adopted IFRS will be given code 1, and companies that have not adopted IFRS will be given code 0.

- Conditional Accounting Conservatism: this research applies asymmetric earnings timeliness measurements, following the Basu (1997) model. The Basu (1997) model uses the piecewise-linear regression model. The measurement of good and bad news will use annual earnings. 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:

$$\frac{X_{it}}{P_{it-1}} = \alpha_0 + \alpha_1 * DRET_{it} + \beta_0 * SRET_{it} + \beta_1 * SRET_{it} * DRET_{it} + \varepsilon_{it}$$
(2)

To examine the effect of IFRS adoption, the dummy variable of IFRS is added to the Basu (1997) model in equation 1. So the conservatism model used is:

$$\frac{X_{it}}{P_{it-1}} = \alpha_0 + \alpha_1 * DRET_{it} + \beta_0 * SRET_{it} + \beta_1 * SRET_{it} * DRET_{it} + \gamma_0 * PREPOST_{it} * SRET_{it} +$$
$$\gamma_1 * PREPOST_{it} * DRET_{it} + \gamma_2 * PREPOST_{it} * SRET_{it} * DRET_{it} + \varepsilon_{it} \qquad (3)$$

where:

X	= company i's earning per share on year t
P	= company i's price per share on year t
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 sample companies were collected from all industries in Indonesia: the consumer goods industry, basic and chemicals industries, finance, mining, agriculture, property, real estate and construction, infrastructure, utilities, transportation and various other industries. The results of this research are expected to be able to be generalized to all public companies listed in the Indonesia Stock Exchange. The criteria for selecting the samples in this research are: (1) the company was listed on the Indonesia Stock Exchange by 2010 and (2) it remains a public company as of 2018. Stock prices and accounting data are taken from Bloomberg and Yahoo Finance.

4. Results

In all, 394 companies fulfilled the criteria, with the total sample of 3,742 book-years. The data in this study represent all industrial sectors. Table 1 shows the results of screening with the stated criteria, while Table 2 shows the composition of samples grouped by each industrial sector.

Table 1. Selection of Sample

Criteria of Sample	Total Companies
Total companies listed on the 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
Total missing data	(592)
Total sample used	**3.742**

Table 2. Sample per Industrial Sector

	Industrial Sector	Total	%
1	Miscellaneous industry	34	9%
2	Consumer goods industries	31	8%
3	Chemical and basic industry	55	14%
4	Infrastructure, utilities and transportation	30	8%
5	Finance	67	17%
6	Trade, services and investment	91	23%
7	Mining	32	8%
8	Agriculture	13	3%
9	Property, real estate	41	10%
	Total	**394**	**100%**

Table 3. Descriptive Statistics (All Sample)

Variable	Mean	Median	S.D.	Min	Max
EPSPRICE	0.0954	0.0545	1.51	-18.0	59.1
SRET	0.139	0.0197	1.31	-2.19	51.9
SRETDRET	-0.140	0.000	0.265	-2.19	0.000
PREPOSTSRET	0.0962	0.000	1.23	-1.99	51.9
PREPOSTDRET	0.239	0.000	0.426	0.000	1.00
PREPOSTSRETDRET	-0.0797	0.000	0.201	-1.99	0.000

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 after IFRS adoption, it 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 of the company's 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, the mean value is 0.151. This phenomenon shows 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 is 0.0962. In the pre-adoption period, SRET has a standard deviation of 1.31, a minimum value of -2.19, and a maximum value of 51.9. For the post-adoption period, IFRS has a standard deviation of 1.23, a minimum value of -1.99, and a maximum value of 51.9.

SRETDRET had a mean of -0.167 before IFRS adoption and -0.125 after the IFRS adoption. From before the IFRS adoption period to after the IFRS adoption period, there was a 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 0.265 with a minimum value of -2.19 and a maximum value of 0. After the IFRS

adoption, the standard deviation of SRETDRET is 0.201, with a minimum value of -1.99 and a maximum value of 0.

4.1 Hypothesis Testing

Hypothesis testing uses IFRS independent variables as measured by the dummy variable on the dependent variable, which is measured by earnings per stock return. Table 6 shows the results of regression equation testing for the variables,

Table 6. Hypothesis Testing

	Coefficient	Std. Error	t-ratio	p-value	
Const	0.0353054	0.0304823	1.158	0.2468	
SRET	−0.0822891	0.0559550	−1.471	0.1415	
DRET	0.395812	0.0934499	4.236	<0.0001	***
SRETDRET	0.306007	0.173503	1.764	0.0779	*
PREPOSTSRET	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 was conducted on 399 samples of Indonesian companies in all industrial sectors. The results show that IFRS adoption has a negative influence on the practice of conservatism. 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. Supported by SRETDRET, which is positive and quite significant, the result indicates that before the IFRS adoption, accounting profit includes more negative returns than positive returns. Thus, it is proven that conservatism existed 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. This means that the sensitivity of accounting earnings over negative returns rather than positive returns decreases. This case shows that there is a decrease in conservatism after the adoption of IFRS. Furthermore, PREPOSTSRETDRET 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. This indicates that SRET, DRET, SRETDRET, PREPOSTSRET, PREPOSTDRET and PREPOSTSRETDRET significantly affect EPSPRICE.

4.2 Robustness Testing

To verify the results of the hypothesis testing, additional testing was done by grouping the samples into two categories, before IFRS adoption and after IFRS adoption. Tables 7 and 8 present the test results.

Table 7. 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	0.1336	
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	0.6062

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. Both of the DRET groups are significant and positive, while results for the IFRS pre-adoption period indicate that accounting profit is more sensitive to negative returns. However, the sensitivity decreases within the IFRS post-adoption, as shown by the decrease in the DRET coefficient from 0.287231 to 0.0908356. The absolute numbers from DRET and SRET, both in pre-adoption and post-adoption of the IFRS, 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 research shows that IFRS adoption has a significantly negative influence on conservatism. The result is consistent with IFRS adoption testing on conservatism because it is split into the period before and after IFRS adoption. Therefore, IFRS does not maintain conservatism.

IFRS stresses the relevance of fair value, in which loss and gain are recognized under fair value. In contrast, in conservatism, only loss is recognized at fair value. Therefore, after the IFRS adoption, earnings contain gain and loss, unlike conservatism, which contains only loss. That means that there are decreases in the conservatism practice, which is indicated by the decrease in sensitivity of return to earnings. Investors need to take this into account. It indicates that IFRS cannot protect stakeholders since the financial report is not transparent and reliable for decision-making. Thus, investors have 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 measurement 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 that result in a decline in conservatism. Also, based on this research, management needs to realize that IFRS adoption may reduce conservatism. When conservatism decreases, the quality of earnings decreases, which contradicts relevance. This phenomenon may reduce the quality of decisions of IFRS-based financial statement users.

6. Conclusion

This research aims to determine the conservatism level after adoption of IFRS. The results show that there was a practice of conservatism even before IFRS adoption. Unfortunately, we cannot prove that the level of conservatism still exists post-adoption. There is a tendency to decrease accounting conservatism practices in Indonesia after the adoption of IFRS. This is indicated by the decrease of accounting earnings' sensitivity toward the recognition of the possibility of negative returns. The results are robust through additional testing by grouping samples into two periods, the IFRS pre-adoption and IFRS post-adoption periods.

Due to the decrease in conservatism after the adoption of IFRS, investors need to analyze a company's accounting information beforehand due to the decrease in the return sensitivity to accounting earnings. The Indonesia accounting standard setter needs to be aware of the decline of the level of conservatism after the mandatory adoption of IFRS, which implies that earnings quality decreases. Furthermore, management needs to be aware that IFRS adoption may reduce conservatism, which contradicts relevance.

This research has some limitations. First, we only apply one type of conservatism, which is earnings per stock return relations. Future research could compare the two types of conservatism to draw a comprehensive conclusion about the status of conservatism post-IFRS adoption. Second, this study also opens the venue for future study to exercise conservatism issues by controlling the level of corporate governance either at firm level or country level.

EDITORIAL

CERTIFICATE

Authors:

**Juniarti, Devi Tirta
Raharjo, Regina Monica**

Document title:

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