

1 Jurnal Analysis of Financial Performance before and after

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Analysis of Financial Performance before and after Implemented ISAK No. 29 in Mining Companies

Sutoyo and
Sujatmika

Department of Accounting, Faculty of Economics and
Business,

University of National Development "Veteran", Yogyakarta, Indonesia

Abstract: The financial performance is measured by using a profitability ratio that consists of Return on Assets (ROA), Return on Equity (ROE), Profit Margin (PM) and Return on Investment (ROI). The objective of this research is to analyze the gap of financial performance before and after implementing ISAK No. 29 on mining companies. This study using 10 samples from 39 mining companies before being applied ISAK No. 29 that listed in Indonesia Stock Exchange in the period 2014-2015 and the samples must meet the criteria. The difference analysis tool using t-test paired. From testing, t-test paired results are 0.421 for ROA, 0.380 for ROE, 0.268 for PM and 0.384 for ROI, the score of Sig. are higher than 0.05, means haven't significant different between before and after applying of ISAK No. 29.

Key words: ISAK No. 29, financial performance, test different, mining companies, ROI

INTRODUCTION

In Indonesian mining companies such as PT Bukit Asam, PT Adaro Indonesia, PT Kaltim Prima Coal and others are not ready yet to apply the Interpretation Financial Accounting Standard (ISAK) No. 29 in Indonesia. This regulation start to applied on January 1st, 2015. It had an impact on the financial performance. Therefore, it is necessary to do research about this problem. Thus, the results of this research are expected to be one of the considerations before deciding to apply this regulation. Because ISAK No. 29 directly adapted from International Financial Reporting Interpretation Committee (IFRIC) No. 20 without any research before by the Indonesian Financial Accounting Standards Board which resulted the risk in the future. In addition, it have negative impact relates to social engineering with financial reporting standards topic for open-pit mining companies in Indonesia.

In this study is conducted empirical studies using a different test analysis before and after the implementation this regulation that focused on profitability ratios. Greuning *et al.* (2013) say, financial ratio analysis is an instrument that could be used to analyze the changes and the relationships of financial indicators (Greuning *et al.*, 2013). This implementation also affect the differences in the financial ratios. Then, the investor use this result to decision making. The

previous research related to the impact from IFRS implementation to the financial

performance has been conducted but related to the impact of ISAK No. 29 on financial performance, especially in mining companies never been conduct. The purpose of this research is to determine the differences were statistically significant on financial performance as measured by value of ROA, ROI, PM and ROE of the profitability ratio in mining companies.

Literature review

Establishment of IFRS: The International Accounting Standards Board (IASB) is an agency that devised IFRS. The impact of globalization removes the geographical boundaries to undertake economic activities. It is necessary to harmonization of accounting standards and financial reporting that must be done by every country, including Indonesia. Indonesia Institute of Accountants (IAI) as the highest authority has an authority to IFRS adoption. The benefits of IFRS adoption include ease of understanding to arrange the financial statements and decreasing capital cost globally but also have some constraints including some regulations is not support, the business entity is still not ready yet, lack of attention and the commitment of businesses, governments and authorizing capital markets.

Adoption of accounting standards: Actually, Indonesia is already adopting IAS, since 1994. The statement of financial accounting standards (PSAK) and interpretation. on financial accounting standards (ISAK) was adopted by

Corresponding Author: Sutoyo, Department of Accounting, Faculty of Economics and Business,

University of National Development "Veteran", Yogyakarta, Indonesia

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the standards council financial accounting (DSAK). DSAK stated that the rate of IFRS adoption can be divided into 5 levels as follows: full adoption; a country adopt all IFRS standards and IFRS translate exactly into that country's language use.

Adopted; IAS to IFRS convergence program has been launched by IAI in December 2008. Adopted intention is to adopt IFRS but adapted to the conditions in the country. Piecemeal; a large part of the country just adopted the IFRS numbers are certain standard number and select specific paragraphs. Referenced (convergence); as a

reference, the standard applied only to certain IFRS refers to language and paragraphs are compiled by standard setting bodies. Not Adopted at all; a country did not adopt IFRS.

Since 2012, Indonesia has implemented accounting system with full IFRS adoption. By adopting the full IFRS, the financial statements prepared by Pask, the company did not need to do any more significant reconciliation with financial statements based on IFRS.

In convergence, there are two strategies of adoption, that is big bang strategy and gradual strategy. Big bang strategy will adopt full of IFRS at once without certain stages while the gradual strategy adoption of IFRS is carried out gradually. Big bang strategy used by the developed countries while the more gradual strategy used by developing countries such as Indonesia.

Financial statements: Financial statements are the final results of the financial transactions process. The financial statements consist of balance sheet, income statement, statement of changes in financial position, notes and explanatory material. The financial statements are prepared to provide information about the position of assets, debts, the capital that occurred in the household, profit and lose. The characteristics or qualitative properties of financial statements consist relevance, reliability, comparability and consistency (Tanko, 2012).

Financial performance: The financial performance is a tool to assess the performance and financial condition of a company where a financial analyst requires a certain size (Suad, 2012). The size that often used is a ratio or index that shows the relationship between two or more financial data. Analysis and interpretation of various ratios will provide a better understanding of the achievements and financial condition, rather than that only analysis of data on the financial statements alone. Additionally, Suad (2012) suggested that among the tools of analysis of financial performance that always used to measure the weaknesses or strengths faced by the company in the financial sector is a ratio analysis. Ratio analysis is basically an events of the past.

Therefore, the factors that may exist in the future. For that reason, an analyst required in order to provide the analysis and interpretation are well and carefully because the results of the analysis will be helpful in determining the financial management policy for decision making in the future. Suad (2012) suggested that financial performance can be measured using profitability ratios, consisting of ROA, ROE, PM and ROI.

ISAK No. 29: The activity of stripping cost previously that regulated in IAS 33 (Revised 2011) also regulate in IFRS by IFRIC No. 20 then adopted by DSAK be ISAK No. 29.

This rule only regulate the stripping at the production stage on open-pit mining approved by DSAK IAI and is effective, since January 1, 2014. The cost of environmental management follows the provisions of PSAK 57: contingent liabilities and contingent assets. In the mine there is a move the rest of mining activity. The development phase, stripping costs generally are capitalized and then depreciated.

The scope of ISAK No. 29 is used for material removal costs incurred in the open pit mining activity during the production phase. The problems on the ISAK No. 29 that are:

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Recognition of stripping costs in the production phase as an asset

The initial measurement of the asset stripping activity and

Measurement subsequent stripping activity asset.

Recognition stripping costs in the production

Phase as assets are as follows:

Activities of soil removal is realized in the form of production supplies

The benefit is used for access to the material stripping activity asset

Terms of property, economic benefit, identification of material components which access is improved, the costs can be measured reliably

The initial measurement asset stripping activities include the following:

At the beginning of measuring at cost, plus the allocation of direct overhead

The costs linkage incidental activity, not included If it can not be identified separately, the entity allocate costs between inventory and the stripping activity asset

The next measurement of assets stripping activities are as follows:

Using the cost or amount revaluasian less depreciation or impairment

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Depreciation is the systematic basis over the useful life, units of production method

The useful life is different from the useful life of mining

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Entities will recognize stripping activity asset if and only if all of the following criteria are met:

It is probable that future economic benefits related to stripping activity will flow to the entity

An entity may identify the components of the ore which access has been improved

Costs associated with the stripping activity with these components can be measured reliably

The impact from adoption of IFRS: IFRS adoption can improve the quality of accounting information with the decrease in earnings management than before the adoption of IFRS (Ball, 2006; Chen *et al.*, 2010). In addition, the adoption of IAS affects the recognition of losses more precisely and increasing the value relevance on the earnings information. Application of value relevance in turn will affect the company's financial statements (Barth *et al.*, 2008). It is appropriate from the statement Tanko (2012) which conducts research in Negeria, the result is the company's performance is assessed by the ratio before and after the adoption of IFRS indicates that the performance be down but not significantly after the adoption of IFRS (Tanko, 2012).

O'Connell and Sullivan (2008) say in contrast conducted research in Europe by adopting IFRS have a positive impact on the profit improvement. In Italy shows the positive effect on earnings (Cordazzo, 2007). This condition is similar research conducted in Canada, the financial ratios after IFRS adoption is more better (Blanchete *et al.*, 2011). Pazarskis *et al.* (2011) conducted a same research on information technology companies in the Athens Stock Exchange (ASE), Greece reveals that the ratio of EBIT and gearing ratio experienced a significant difference from 12 financial ratios studied.

Based on previous research in Europe and Africa, have a difference statements result. Because this research conducted in Asia which have a different condition, it also has the possibility different result. So, this study built a hypothesis, including:

H1: ROA were significantly different before and after implementation of ISAK No. 29

H2: ROE were significantly different before and after implentasi ISFAS No. 29

H3: the ratio of PM were significantly different before and after implementation of ISAK No. 29

H: the ratio of ROI were significantly different before and after implementation of ISAK No. 29

The mining company listed on the stock exchange consecutively from 2014-2015

The mining company that doesn't publish annual reports consecutively from 2014-2015

The company that haven't applied ISAK 29

MATERIALS AND METHODS

Values
39
8
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In this research use multiple variables, among others, ROA, ROE, PM and ROI. The object of research is the annual financial statements published by the mining company listed on the Indonesia Stock Exchange (BEI) in 2014 before being applied IFAS No. 29 and the period of 2015 after being applied IFAS 2015. The election procedure number of samples in this study using the sampling method nonprobabilitas with purposive sampling techniques, i.e., selection of samples from a population based criteria be a particular consideration. (Hartono, 2013). Criteria for selection of the sample could be seen in Table 1.

First, the data is tested for normality with aims to determine the distribution of the data in variables. This test could use the Kolmogorov-Smirnov test. Secondly, the data do the different test to obtain the results with using t-test paired with SPSS 17.

RESULTS AND DISCUSSION

This research using quantitative data that got from 2014 financial summary report of mine company before the ISAK No. 29 applied and in 2015 after the ISAK No. 29 applied. In this research, each perspective of paired sample t-test will be measured by profitability measurement indicator based on ratio of Return on Assets (ROA), Return on Equity (ROE) or Return on net Worth, Profit Margin (PM) and Return on Investment (ROI).

Instrument testing: From the calculation at SPSS 17 that showed at Table 2, the score of Asymp. Sig. (2-tailed) data for ROA, Profit Margin (PM) and ROE before ISAK No. 29 applied are 0.962, 0.189, 0.267 and 0.261. Because of those score bigger than alpha (Asymp. Sig. >0.05), it can be concluded that the data performance company's finances using ROA, ROE, PM and ROI testing are normal distribution.

Table 2 shows the score of Asymp. Sig. (2-tailed) for ROA after the ISAK No. 29 applied is 0.483, score for ROE is 0.367, score for Profit Margin (PM) is 0.339 and score for ROI is 0.170. Because of those score bigger than alpha (Asymp. Sig. >0.05), it can be concluded that the data performance

company's finances after the ISAK No. 29 applied are normal distribution with 0.05 significant degree.

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Table 2: Normality test

Explanation	Kolmogrof-Smimov Z	Asymp. Sig. (2-tailed)
Previous ROA	0.504	0.962
End of ROA	0.838	0.483
Previous ROE	1.086	0.189
End of ROE	0.919	0.367
Previous PM	1.003	0.267
End of PM	0.941	0.339
Previous ROI	0.754	0.621
End of ROI	1.110	0.170

Table 3: t-test paired result

Explanation	Pair	Before-after factor	t-values	df	Sig. (2-tail)
1	ROA		0.843		
2	ROE		0.923		
3	PM		1.182		
			0.915		
4	ROI				
		0.421 0.380 0.268			0.384

Hypotheses testing: The testing of t-test on two sample that is before and after ISAK No. 29 applied can be show in Table 3. About 10 mining companie use as the sample. Type of data collection is a cross-section take from the financial statements of December 31st, 2014-2015.

Data analysis: The result of t-test Paired show that there is significant 0.421 for ROA, 0.380 for ROE, 0.268 for PM

and 0.384 for return on investment. Because the score of Sig. >0.05, thus the result of this research is haven't significant different between before and after applying of ISAK No. 29. This result not appropriate with the assumption before, there is have a significant difference of financial performance before and after applying of regulation. This result appropriate with the Tanko (2012)'s research. But this is different with the research of Agca and Aktas that only cash ratio and Asset turn over from 12 financial ratios which is researched and having different significant after the implementation of IFRS. The ratio of operating profit margin, return on equity and return on invested capital are have a significant difference while price to earnings ratio decreasing significantly from 5 ratios (Punda, 2011).

Punda (2011)'s experiment consistent with the discovery of Lantto and Sahlstrom (2009) in Helsinki Stock Exchange, Finland, 2004. The result said that after the implementation of IFRS, profitability ratio will be increase significantly and price earnings ratio will be decrease significantly (Lantoo and Sahlstrom, 2009).

The other research held by Pazarskis *et al.* (2011) said that the ratio of EBIT (Earnings Before Interest and Tax) and gearing ratio have different significant from 12 financial ratios that researched. In other side, the full adoption process of IFRS or IFRIC is not a problem but the problems that annoy the applying of IFRS in Indonesia there are some regulation unsupported, the

businessman not ready yet, low attention from the commitment of businessman, government and capital market authority (Pazarskis *et al.*, 2011).

The applying of ISAK No. 29 in Indonesia announced and applied on January 1st, 2015 jointly but in reality, when the research held in 39 mine companies, only 10 companies that apply the ISAK No. 29. This is show that majority of mining company not ready yet with this standard, so it affects the companies will be not ready. Full applying of accountancy standard need the readiness of human quality which are competent and also need support from the adequate capability of technology and information. In other side, the infrastructure like DSAK as financial accounting standards setter in Indonesia, the condition of legislation which is not ready yet with IFRS or IFRIC also the human's quality need adaptation because they're using GAAP standard before so, they understanding about IFRIC or ISAK still limited.

CONCLUSION

Based on the result test and the analyse different test can be conclude that financial performance (ROA, ROE, PM and ROI) haven't different significant before and after applying of the ISAK No. 29. This result support the research of Lantto and Sahlstrom (2009), Punda (2011), Pazarskis *et al.* (2011), Blanchettee *et al.* (2011) and Kartikahadi *et al.* (2012).

LIMITATION

Experiment period of this research is only 2 years because the implementation of the ISAK No. 29 effectively implemented a year start from 1st January of 2015. For the next researcher better to extend the research period before and after the implementation of the ISAK No. 29.

SUGGESTIONS

The variable of financial ratio which is researched is only profitability ratio from four financial ratio so it can't explain the financial ratio extensively. The next research better to expand the other financial ratio, especially on rating market ratio group such as Price Earning Ratio (PER), Price to Book Ratio (PVB).

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