

3rd ICAF UMY 2017
International Conference
on Accounting and Finance

ISBN : 978-602-72325-2-5

**"The Role of Accounting Information System
towards Enhancing Government Accountability"**



Proceeding



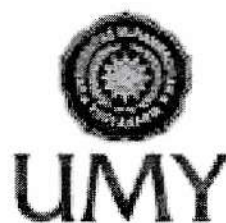
**Department of Accounting
Faculty of Economics and Business
Universitas Muhammadiyah Yogyakarta**



Universitas Muhammadiyah Yogyakarta
Yogyakarta, 21-22 February 2017

**PROCEEDING
3rd INTERNATIONAL CONFERENCE ON
ACCOUNTING AND FINANCE
(3rd ICAF UMY 2017)**

**"The Role of Accounting Information System
towards Enhancing Government Accountability"**



DEPARTMENT OF ACCOUNTING
FACULTY OF ECONOMICS AND BUSINESS
UNIVERSITAS MUHAMMADIYAH YOGYAKARTA
2017

3rd ICAF UMY 2017



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AND FINANCE (3rd ICAF UMY 2017)**

**“The Role of Accounting Information System towards Enhancing
Government Accountability”**

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Published by
Accounting Department
Universitas Muhammadiyah Yogyakarta
Jalan Lingkar Selatan, Tamantirto, Bantul, Yogyakarta
Tlp. 0274-387656

ISBN : 978-602-72325-2-5

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PREFACE

Assalamu'alaikum Warahmatullahi Wabarakatuh

Alhamdulillahirabbil 'alamin, praise and gratitude we pray to Allah SWT for his grace and for his guidance. Prayer and peace we extend to our prophet Muhammad SAW, who has given his guidance for his people.

This proceeding is arranged to documenting ideas and research results related to accounting that is presented at *3rd International Conference on Accounting and Finance (ICAF) UMY 2017, 21st - 22nd February 2017*. *3rd ICAF UMY 2017* has the theme "*The Role of Accounting Information System towards Enhancing Government Accountability*" with participants from practitioners and academicians. Moreover, we hope this conference can increase knowledge and literature for academicians and practitioners to conduct research in Public Sector Accounting and Accounting Information System.

Finally, to all participants who have contributes in *3rd ICAF UMY 2017* including, presenters, speakers, reviewers, and committees, we would like to acknowledge our highest appreciation for the cooperation. We also apologize for any inconvenience on this conference and for any mistakes in this proceeding.

Wassalamu'alaikum Warahmatullahi Wabarakatuh

Yogyakarta, February 9th 2017

Head of Committee
Ilham Maulana Saud, SE., M.Sc., Ak

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THE ANALYSIS OF FINANCIAL PERFORMANCE BEFORE AND AFTER RIGHT ISSUE

by:

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ABSTRACT

The objectives of this research is to examine the difference of financial performance of company consists of Operating Cash Flow Ratio, Debt to Equity Ratio, Return on Asset, Net Profit Margin, Asset Turnover, Price Earning Ratio before and after right issue. This research analysed the financial report of 49 companies which listed in Indonesia Stock Exchange. This research uses purposive sampling and data collective from financial report, the quality of data was tested using normality test, hypothesis were tested using Wilcoxon Signed Rank Test. The result of this research are: 1) There is no difference of Operating Cash Flow Ratio before and after right issue, 2) There is no difference of Debt Equity Ratio before and after right issue, 3) There is no difference of Return on Asset before and after right issue, 4) There is no difference of Net Profit Margin before and after right issue, 5) There is difference of Asset Turnover before and after right issue, 6) There is no difference of Price Earning Ratio before and after right issue.

Keyword:Right Issue, Financial Performance Ratios

INTRODUCTION

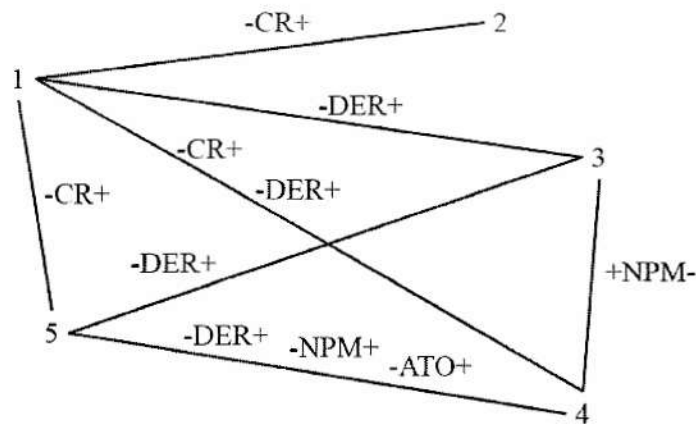
1. Background

The act no. 8 of 1995 about stock market explains stock market as a spot of initial public offering and market activities of public company stock along with institute and profession related to stock. Based on Stock Market Monitoring Agency through KEP-26/PM/2003 explains that right issue as an increment of company stock equity that has conducted initial public offering or public company. The company is obliged to arrange General Meetings of Shareholders to consider and approve the offering plan. Right issue is a financing strategy of company when internal financing is lacking (Fahmi and Saputra, 2011). The result of right issue will be used as planned in the prospectus. Prospectus is a financial company performance report and funds

budget of right issue or initial public offering. The increment of equity will lead the performance of company (DarmadjiandFakhrudin, 2006). The increment of equity

Garuda Indonesia conducted right issue in 2014 in order to strengthen capital expenditure. PT Lippo Karawaci experienced markdown of stock after conducting right issue as -16.18%.

The result of previous studies form gaps that can be seen as below:



1	Simanullang and Daljono, 2014	4	Aprianti, 2015
2	Fahmi and Saputra, 2013	5	Khajar, 2010
3	Yakobus and Ediningsih, 2009		

Picture 1. The Gaps of Previous Researches

Source: processed by researcher

The most gap happened between Khajar, 2010 and Aprianti, 2015. There are three gaps consist of Debt to Equity Ratio, Net Profit Margin and Asset Turnover. Debt to Equity Ratio is the most collision among researcher; Simanullang and Daljono, 2014 and Fahmi and Saputra, 2013; Simanullang and Daljono, 2014 and Yakobus and Ediningsih, 2009; Yakobus and Ediningsih, 2009 and Aprianti, 2015. From the picture above, it shows that there is inconsistency among previous researchers.

Based on background above therefore as the researcher interested to proceed this research with the title “The Analyze of Financial Performance Before and After Right Issue”.

2. Problem Formulating

Because of some companies which committed right issue failed to increase their performance and inconsistency among previous researchers, it is mandatory to be conducted research with the problem formulation as follows:

Are there differences in the financial performance of companies consisting of Operating Cash Flow Ratio (OCFR), Debt to Equity Ratio (DER), Return on Assets (ROA), Net Profit Margin (NPM), Asset Turnover (ATO) and Price Earning Ratio (PER) before and after the rights issue?

3. Research Objectiveness

To examine the difference in the financial performance of companies consisting of OCFR, DER, ROA, NPM, ATO and PER before and after the rights issue.

4. Benefits of Research

Research benefits could be gained from this study is expected to provide usefulness and contribution as follows:

To contribute the development of science, especially in the field of capital markets. Providing materials for the discourse of the government in establishing regulations on investment in Indonesia. Providing material discourse for investors in making investment decisions and provide material to the company for decision making especially on right issue.

LITERATURE REVIEW

1. Pecking Order Theory

Pecking Order Theory was first presented by Modigliani and Miller in 1958 (Jibrán et al., 2012). Pecking Order Theory states that companies tend to decide funding from the internal then external (Ghosh, 2012: 10). In this theory explained that there is a corporate priority in selecting funding.

2. Signalling Theory

According to (Mulatsih et al, 2009 in Dewi and Putra, 2013) explains signalling theory that management as the internal parties of company has various valuable information related to the value of company. If the information has something to do with the increment of performance so the external parties will respond positively, vice versa.

3. Right Issue

Rights issue are the rights intended to the existing shareholders to purchase shares to be issued again by the company (Dewi and Rahyuda, 2014). The shareholders can exercise their right to buy stock or not buy the stock. Rights that are not used will be transferred to other investors.

4. Financial Company Performance

Subramanyam and Wild (2010: 44-45) explain that there are ratios can be used to measure the performance of companies such as liquidity ratio, capital structure and leverage, the return on investment ratio, the ratio of operating performance, asset utilization ratio, and the ratio of the size market. Each of ratios has a usefulness and interpretation.

HYPOTHESIS DEVELOPMENT AND RESEARCH MODEL

1. The different OCFR before and after right issue

Operating Cash Flow is the cash flows generated from the company's core activities (Amuzu, 2010). The increment of cash generated from core activity will lead the value of OCFR. Payment of debt will increase the value of OCFR (Amuzu, 2010). OCFR is obtained from the amount of operating cash flow divided by total current liabilities (Subramanyam and Wild, 2013: 259). If the cash flows from operating activities increase than the number of ratio will be better. If the rights issue is used by the company to pay off liabilities so that the total liabilities of the company reduced the number OCFR will be better with a record operating cash flow remains.

H1 : There is different OCFR before and after right issue

2. The different DER before and after right issue

DER is a ratio measures the company's capital structure derived from total liabilities divided by shareholders equity (Subramanyam and Wild, 2013; 44). Repayment of debt

carried by the company will affect the value of DER. The less of Debt will increase the proportion of capital to debt. The issuance of right issue will lead the increment of equity that is shares capital.

Yakobus and Ediningsih (2009) and Aprianti (2015) state that there is different DER before and after right issue. However, Khajar (2010) and Simanullang and Daljono (2014) state that there is no different DER before and after right issue.

From the description above, the following hypotheses can be derived;

H2 : There is differentDER before and after right issue

3. The differentROA before and after right issue

ROA is a financial ratio used to measure the relationship between income by investing the assets required to generate profit (Siminica et al, 2012). Research conducted by (Yakobus and Ediningsih, 2009) states that the ROA values differed significantly between before and after the rights issue.

From the description above, the following hypotheses can be derived;

H3 : There is differentROA before and after right issue

4. The differentNPM before and after right issue

NPM is the ratio used to measure the operating performance of a company derived from net income divided by sales (Subramanyam and Wild, 2013; 45). This ratio reveals the level efficiency of a company in managing their costs.

Yakobus and Ediningsih (2009) and Khajar (2010) state that there is no different NPM before and after right issue. However, Aprianti (2015) states that there is different NPM before and after right issue.

From the description above, the following hypotheses can be derived;

H4 : There is different of NPM before and after right issue

5. The different of ATO before and after right issue

ATO is used to measure the level of company's efficiency in using their assets (Hofstrand, 2013). ATO assess the company's ability to use assets to generate sales. Meanwhile, ROA assess the investment return on assets seen from net income. If the company can effectively use assets to generate sales, the value of the ATO will improve. Companies with many assets that cannot necessarily generate decent sales when compared with their asset holdings.

Khajar (2010) states that there is different ATO before and after right issue. However, Unlike Aprianti (2015) states that there is no different ATO before and after right issue.

From the description above, the following hypotheses can be derived;

H5 : There is different between ATO before and after right issue

6. The different PER before and after right issue

PER is the ratio used to demonstrate the performance of a company's stock gained from the share price divided by earnings per share (Khajar, 2010). The greater the value of PER, the more expensive the price of a stock. If the company's stock price high, while earnings per share is low, it will generate a higher PER value. If the PER value is high, it indicates the value of the company's shares are expensive in other words, investors do not like it. If the price is low company with earnings per share of high value, it will generate a low PER value. Khajar (2010) states that there is different PER before and after right issue.

From the description above, the following hypotheses can be derived;

H6 : There is different PER before and after right issue

RESEARCH METHODOLOGY

1. Research object

The population of this research is listed company in Indonesia Stock Exchange 2010-2015.

2. The type and source of data

Data in this research are secondary data where available data are gathered by other parties. The secondary data were taken from Financial Report within 2010 until 2015.

3. Sampling

Samples of this research are companies listed on the Indonesia Stock Exchange that have met certain criteria. The sampling method used in this study there was purposive sampling selection of samples by setting certain criteria set by the study. As for the criteria that must be fulfilled in order to explained samples are as follows:

- Companies listed in Indonesia Stock Exchange in 2010-2015.
- Companies that do a rights issue between 2010-2015. During the observation period the company did not do a rights issue of more than one.
- The Company does not undertake corporate action in addition to the rights issue during the observation period.
- Publish company's financial statements during the period of the study and presented in accordance with the complete data that will be required in this study.

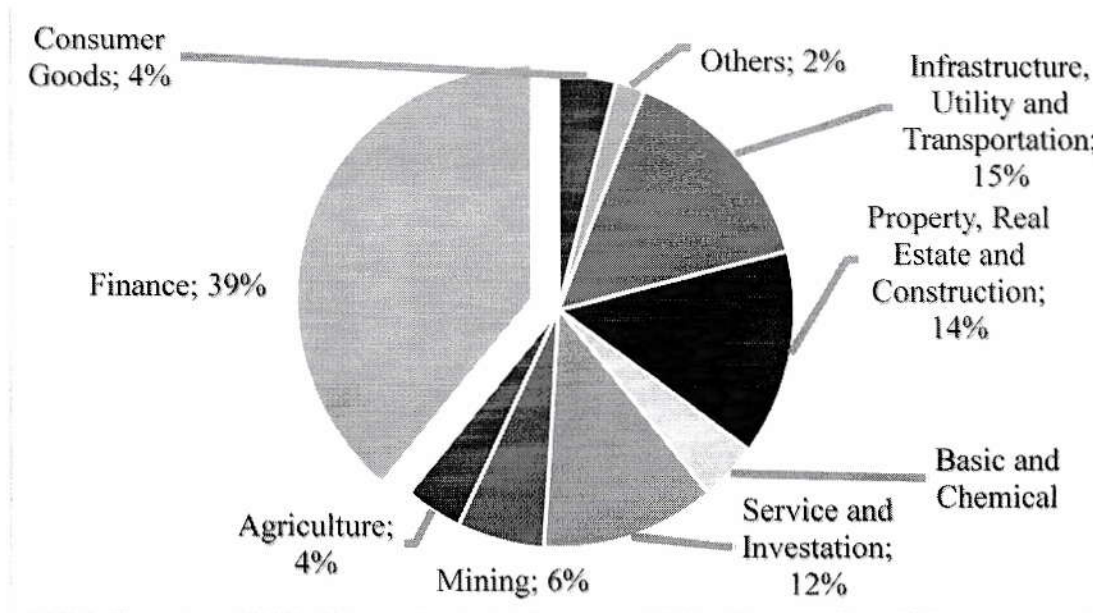
Table 1. Sampling Procedures

No	Sample Criteria	Amount
1	Listed companies in Indonesia Stock Exchange within 2010-2015	516
2	Companies which did not commit right issue within 2010-2015. During the observation period the company did not commit a rights issue of more than one.	(459)
3	Companies committed right issue and other corporate action.	(0)
4	Companies which published Financial Report for observation period.	(3)
5	Companies that do not present the complete data as needed for research	(5)
4	The number sampel for reearch	49

6	The number data for examination	49
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Source: processed by researcher

Table 1 above, it shows that the number of data available for examination are 49 data. Those 49 data are consisted by certain bussiness as follows:



Picture 2. Bussiness sector on this research

Source: processed by researcher

4. Data collective technique

Because this type of data in this research is secondary data, then the data collection techniques in this study using techniques of documentation and literature study method.

5. Research Variabel and Operation Definition

Variables which used in this research were dependent and independent.

- a. Dependent Variable: OCFR, DER, ROA, NPM, ATO, danPER.
- b. Independent Variable: rights issue.

6. Operation Definition

- a. Right issue can be seen in financial report by checking the date of issuance.
- b. OCFR is operating cash flow divided by current liabilities.
- c. DER is Liabilities divided by capital stock.

- d. ROA is net income divided by total assets.
- e. NPM is net income divided by total sales.
- f. ATO is sales divided by total assets.
- g. PER is price of stock divided by net income per share.

7. Data Analyze Methode

- a. Descriptive Statistical Anlysis

In this study, descriptive statistical analysis uses only measurements of average value (mean), standard deviation, maximum and minimum

- b. Data Quality Test

Analysis of testing the quality of the data used is normality test. Normality test is a test for the quality of the data that determines whether the data were normally distributed or not (Nazaruddin and Basuki, 2016). In this test data is said to be normally distributed if sig Kolmogorov-Smirnov > 0.05.

- c. Hypotheses Test

Wilcoxon Signed Ranks Test

Wilcoxon Signed Ranks Test aims to test the difference of two paired samples that have been carried out treatment with the assumption that the data are not normally distributed (Sugiyono, 2010). Qualification testing the hypothesis by using Wilcoxon Signed Ranks that Ho accepted if sig > 0.05 and Ha accepted if sig > 0.05.

RESULTS AND DISCUSSION

1. Description of Research Object

Objects in this study are all companies do the right issue listed on the Indonesia Stock Exchange 2010-2015.

Table 2. StatistikDeskriptif

	N	Minimum	Maximum	Mean	Std. Deviation
SBLMOCFR	49	-1.8188	4.5973	.226020	.8176698
SSDHOCFR	49	-7.3874	6.6503	.085912	1.8644761
SBLMDER	49	.090	83.619	11.73239	17.298335

SSDHEADER	49	-.3346	108.3950	11.082802	20.0025529
SBLMROA	49	-.2606	.2267	.021533	.0755215
SSDHROA	49	-.7213	.6850	.034947	.1672964
SBLMNPM	49	-.8758	122.8394	3.838290	19.1955929
SSDHNPM	49	-5.7230	243.1051	9.338992	44.8088945
SBLMATO	49	.0039	3.2213	.577845	.7256748
SSDHATO	49	.0003	27.0070	.896547	3.8278850
SBLMPER	49	-115.6788	984.3346	38.721843	150.3154424
SSDHPER	49	-77.5701	616.6667	35.757827	103.6478782
Valid (listwise)	N 49				

Table 3. Data Quality Test: Normality Test

	Kolmogorov-Smirnov(a)			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	DF	Sig.
SBLMOCFR	.202	49	.000	.681	49	.000
SSDHOCFR	.337	49	.000	.562	49	.000
SBLMDER	.276	49	.000	.687	49	.000
SSDHEADER	.284	49	.000	.582	49	.000
SBLMROA	.205	49	.000	.877	49	.000
SSDHROA	.281	49	.000	.690	49	.000
SBLMNPM	.497	49	.000	.210	49	.000
SSDHNPM	.519	49	.000	.221	49	.000
SBLMATO	.214	49	.000	.744	49	.000
SSDHATO	.422	49	.000	.192	49	.000
SBLMPER	.356	49	.000	.395	49	.000
SSDHPER	.332	49	.000	.480	49	.000

Sumber: Output SPSS 15.0

The statistics will be used to test the hypothesis is non-parametric statistics. This is because the normality test results stating that the data in this study is not normal. Research should continue using non-parametric statistics using the Wilcoxon Signed Rank test.

Wilcoxon Signed Ranks Test aims to test the difference of two paired samples that have been carried out treatment with the assumption that the data are not normally distributed (Sugiyono, 2010). Statistical tables from the data of this study was 447. This figure is derived from seeing critical value Wilcoxon table where samples are 49 companies and sig 0.05.

Table 4. The Comparison Rank of Wilcoxon Signed Ranks Test

		N	Mean Rank	Sum of Ranks
SSDHOCFR-SBLMOCFR	Negative Ranks	24	27.00	648.00
	Positive Ranks	25	23.08	577.00
	Ties	0		
	Total	49		
SSDHDER-SBLMDER	Negative Ranks	25	23.40	585.00
	Positive Ranks	24	26.67	640.00
	Ties	0		
	Total	49		
SSDHROA-SBLMROA	Negative Ranks	19	26.16	497.00
	Positive Ranks	30	24.27	728.00
	Ties	0		
	Total	49		
SSDHNPM-SBLMNPM	Negative Ranks	20	23.70	474.00
	Positive Ranks	29	25.90	751.00
	Ties	0		
	Total	49		
SSDHATO-SBLMATO	Negative Ranks	34	25.19	856.50
	Positive Ranks	15	24.57	368.50
	Ties	0		
	Total	49		
SSDHPER-SBLMPER	Negative Ranks	24	22.50	540.00
	Positive Ranks	25	27.40	685.00
	Ties	0		
	Total	49		

Table 5. Wilcoxon Signed Ranks Test

	SSDHOCFR - SBLMOCFR	SSDHDER - SBLMDER	SSDHROA - SBLMROA	SSDHNPM - SBLMNPM	SSDHATO - SBLMATO	SSDHPER - SBLMPER
Z	-.353(a)	-.274(b)	-1.149(b)	-1.378(b)	-2.427(a)	-.721(b)
Asymp. Sig. (2-tailed)	.724	.784	.251	.168	.015	.471

a Based on positive ranks.

b Based on negative ranks.

c Wilcoxon Signed Ranks Test

DISCUSSION

1. There is no different of OCFR before and after right issue

Wilcoxon Signed Ranks Test result shows that there are differences in the ratio of Operating Cash Flow before and after the rights issue with no significant performance improvements. This shows that there is no change in the company's ability to repay current liabilities by using cash generated from operating activities before and after the rights issue.

The absence of differences in the performance of OCFR is caused when the cash obtained from the rights issue has not been used significantly to improve the operating performance of the company. Indoritel PT Makmur International / DNET is one sample of this research is not focused proceeds from the rights issue to increase sales.

2. There is no different of DER before and after right issue

Wilcoxon Signed Ranks Test results showed that there was no difference DER before and after the rights issue, despite the drop is not significant. This shows that before and after the rights issue was no change in the company's capital structure. The results of this study are not supported by research conducted by Aprianti (2015) which states that there is a difference DER before and after the rights issue. However, the results of this study supported by a study conducted by Fahmi and Saputra (2011) which states that there is no difference solvency before and after the rights issue.

3. There is no different of ROA before and after right issue

Wilcoxon Signed Ranks Test results showed that there was no difference in return on assets before and after the rights issue and there is not a significant improvement of performance. This shows that before and after the rights issue have been no changes increased profits resulting from the use of company assets. The results of the study are not supported by research done by (Yakobus and Ediningsih, 2009) which states that there is no difference ROA before and after the rights issue. No difference ROA is caused when companies are not significantly using data from the rights issue to invest assets.

4. There is no different of NPM before and after right issue

Wilcoxon Signed Ranks Test results showed no difference in NPM before and after the rights issue and an increase in performance is not significant. This shows that before and after the rights issue have been no changes in the company's ability to minimize costs. The results of this study supported by research conducted by (Yakobus and Ediningsih, 2009) stating that there was no significant difference in NPM before and after the rights issue. The results also supported by a study conducted by (Khajar, 2010) which states that there are no significant differences NPM before and after the rights issue.

The absence of differences in net profit margin because the company does not use the funds obtained from the rights issue to minimize costs. These costs incurred when companies generate revenue.

5. There is different of ATO before and after right issue

Wilcoxon Signed Ranks Test showed that there were differences ATO before and after the rights issue and decrease performance significantly. This shows that before and after the rights issue there is a change in the company's ability to use assets to generate sales. The results of this study are not supported by research done by (Khajar, 2010) stating that there was no significant difference in asset turnover before and after the rights issue. This result is not supported by research done by (Aprianti, 2015) which states that there is no difference in asset turnover before and after the rights issue.

The big difference in ATO decrease is because the company has not used the funds from the rights issue to increase sales. The Company is focusing on the right issue to fund other things. Indoritel PT Makmur International is one sample of this research is not focused fund the rights issue to increase sales. News reported on the web britama.com explained that DNET or PT Makmur International Indoritel use the proceeds from the rights issue for the shareholding in several companies.

6. There is no different of PER before and after right issue

Wilcoxon Signed Ranks Test showed no difference in PER before and after the rights issue and an increase in PER is not significant. This shows that the rights issue is not a good indicator for investors to buy shares of the company. Although the company's rights issue, but investors tend to shun the company's stock. The results of this study are not supported by

previous studies conducted by (Khajar, 2010) states that there is no difference in PER before and after the rights issue.

The absence of differences in PER is because the market do not respond right issue positively. Therefore, investors tend to avoid companies that do the right issue. PT LippoKarawaci is one sample of companies from the study avoided by investors. News reported in Kontan.co.id by Taqiyyah (2010) explains that the plan to use the rights issue shares of PT LippoKarawaci fell by -16.18% to Rp 570 per share.

CONCLUSION, SUGGESTION AND LIMITATION OF RESEARCH

1. Conclusion

The examination and explanation of hypothesis testing shows that there is no difference of OCRF, DER, ROA, NPM and PER. Therefore, right issue does not contribute to the change of these performance. The Asset Turnover (ATO) significantly difference eventhough negative direction.

2. Suggestion

Right issue is not a good indicator therefore investor should consider deeply which stock they are going to be bought. Eventhough, the company planned to committing right issue in order to escalate company's performance, however, at the end of observation period the company it got stuck. The government is needed to respond this case to protect society and control their entity.

3. Research Limitation

This research was conducted with several limitations of the study that with these limitations could affect the study results. The study only focused on testing the difference before and after the rights issue and did not test the effect of the rights issue. Researchers then expected to test the effect of the rights issue to the decline or increase in performance so as to produce a deeper discussion.

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