CONSERVATISM EFFECT TO CASH FLOW – A FIXED ASSET PERSPECTIVE OF LISTED MANUFACTURING COMPANIES

Albert Hadianto Lie  0800778891

Abstract

Conservatism is an interesting issue to be discussed. Related to conservatism implementation, there are two sides that argue. One side agrees with conservatism implementation, meanwhile the other side disagrees with it. This conservatism will affect the cash flow.

In accomplishing this thesis, the author conducted a research in IDX to obtain the data needed. The data taken are financial statements of the listed manufacturing companies from 2003 to 2006. The author used depreciation and impairment to represent the conservatism. Meanwhile, the earnings relevance is presented by future net operating cash flows.

By using SPSS 12.00, the author did T-test and F-test to all of the data. Based on the tests, it is found that conservatism has effect to earnings relevance.

In conclusion, the result of the research is that there are effects between depreciation, impairment, and earnings. The effects is a positive effect, in which the higher the depreciation and impairment are, the higher the earnings relevance is.

Key words

Conservatism, depreciation and impairment, cash flow, earnings.