RELATIONSHIP BETWEEN INTANGIBLE ASSETS AND FIRM'S PROFITABILITY IN LQ45 COMPANIES

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Abstract

Objective The main purpose of this empirical research is to assess whether Tobin’s q as a proxy for intangible assets is associated with Return on Assets and Return on Equity as proxies for firm’s profitability.

Method To fulfill the objective, the samples collected are companies listed in LQ45 five years in a row for period 2005-2009. The total final samples used are 26 companies. The variables in this study are analyzed with descriptive statistics. Then to test the population normality distribution, the author used kolmogorov-smirnov test. The result then analyzed using spearman’s rank correlation analysis.

Result The results of this research show that there are positive association between intangible assets and firm’s profitability. Moreover, this study finds that the association between intangible assets and firm’s profitability vary across industries.

Conclusion The conclusion of this research is that the utilization of intangible assets in Indonesia LQ45 companies has been predominant. Difference of association across industries is due to the degree and utilization of intangible assets.

Key words
Intangible Assets, Tobin’s q, Firm’s Profitability, Indonesia.