

MANAGEMENT MOTIVATION ON FIXED ASSET REVALUATIONS AND CHOICE OF ITEMS TO REVALUE: EVIDENCE FROM INDONESIA

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ABSTRACT

The purpose of this study was to investigate the motivation of managers to choose a fixed asset revaluation model. The research motivation is quite unique, where we find the phenomenon that Indonesian companies are not too enthusiastic about choosing a revaluation model. Only 17% of the listed company choose the revaluation model. We are interested to investigate the phenomenon in Indonesia, and explore what factors make Indonesian companies choose the revaluation model. We include taxation, governance, loss experience, asset-used covenant and several other factors. By using 192 companies listed on Indonesia Stock Exchange, we get the result logit regression that is: (1) the larger the size of the company has a tendency to not choose the revaluation model, (2) firms that have no loss experience in the previous year, (3) companies with larger export activities tend to prefer revaluation models, and (4) the greater the diffusion of ownership, the company's managers tend to choose the cost model. Especially for the financial services industry and banking, we have not found the decisive factor that pushed 24 of the 84 financial and banking services companies that are revaluing their fixed assets. So these results open up opportunities for further research.

Keywords: revaluation model, motivation, fixed assets, capital intensity