ABSTRACT

This study aims to analyze the value relevance of fixed asset revaluation and whether debt levels moderates value relevance of fixed asset revaluation. Signaling theory (Lin and Peasnell (2000) and Barlev et al. (2007) in Choi et al., 2012) states that the company revalues its assets with the aim to provide credible signals about favorable future prospects. Whereas debt contracting theory suggests that firms with high debt levels have opportunistic motives in doing the revaluation of fixed assets to avoid violating debt agreements (Brown et al., 1992)

This study uses a sample of non-financial companies listed on the Indonesian Stock Exchange and has revalued its fixed assets in the periods 2011-2015. There are 36 companies that meet the criteria and used 54 observations. This study uses an analytical tool Ordinary Least Squares regression (OLS).

The results showed that the revaluations of fixed asset has no value relevance, it shows no effect of change. At the the same time, when revaluations are made by companies with high leverage, investors respons negatively. Investors see it as an opportunistic motive from managers to avoid costs arising from debt agreements.

Keywords: Revaluation of Fixed Assets, Leverage, Value Relevance, Manager's Motif