

ABSTRACT

The purpose of this study is to test whether PSAK 71 increases value relevance of earnings, book value and the combination of earnings and book value for banking companies listed on the Indonesia Stock Exchange for the period 2019 and 2020. The sample of this study was 92 banking companies. The sampling method is used in this study by universal sampling with several criteria. The data analysis method used is multiple regression analysis.

The earning is measured using Earning Per Share (EPS), book value using total equity divided by outstanding shares, share prices is measured using share price delt, and allowance for impairment losses is measured using Expected Credit Loss (ECL) by multiplying the probability of default, loss given default, and exposure at default value.

Based on the results of the regression tests indicate that PSAK 71 has value relevance on corporate earning. PSAK 71 also has value relevance on book value, However, PSAK 71 does not increase the relevance of earnings and book value, the result is a decrease in value relevance from any increase in earnings and book value. PSAK 71 also does not increase the value relevance of tcontrol variable Allowance for Impairment Losses (CKPN).

Keywords: Earning, Book Value, Combination of Earning and Book Value, Share Price, Value Relevance of PSAK 71