

The Effect Of Intangible Asset, Financial Performance And Financial Policies On The Firm Value

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Abstract: The purpose of this study is to test empirically the relationship between intangible assets, financial policies, and financial performance to the firm value at going-public company in Indonesia. Path analysis was used to ascertain the relationship between intangible assets, financial policies, financial performance, and firm value at going-public company in Indonesia in the year 2007 to 2009. This study also provides empirical evidence that Intangible assets, financial policies, financial performance have significant influence to the firm value simultaneously. Intangible assets has no significant influence to financial policies, but has positive and significant influenced to financial performance (ROA) and firm value. Debt policies and financial performance (ROA) influenced firm value positive and significant. Financial statements limitation in measuring and disclosing intangible assets is the cause of significant difference between book value equity and market value equity. Measurement and disclosure of intangible assets (intellectual capital) precisely and accurately is very important, because intangible assets have a positive and significant effect to the firm value. Accounting standards should be concerned about this.

Keywords: Intangible assets, Intellectual capital, Financial Policies, Financial Performance, Firm value

1. Introduction

Value of the company is very important and needs to be improved for the benefit of shareholders and stakeholders, in order to increase shareholder wealth, and the interests of other stakeholders. It is therefore necessary to understand what factors that influence the value of the company in order to enhance corporate value. Firm value is reflected in the company's market price, and is a price to pay when the company experienced take over. In the last quarter century, the value of companies listed on the S & P 500 has undergone a major deviation from its book value (Ocean Tomo, 2009). Malackowski (2009) states that this value deviation or gap indicates that the assets which physically and financially reflected in the company's balance are calculated less than 20% of the actual value of the company. Their research further showed that a significant portion of the value of these intangible assets are patents on the technology. The results of this study was strengthened by Ben McClure (2009) which results in his study of 3500 companies in the United States proves that the current book value was only 28% of market value (in 1975 still 95%), and in the last 20 years there is a dramatic increase in the value of intangible assets. From the statement indicates that the significant differences between the book value and the company's market value because the increase of intangible assets in the company.

This is also supported by the results of research Marck Pamela Megna and Klock (1993) prove that intangible capital has contributed to the value of Tobin's Q (firm value). Similarly in Indonesia, a study of companies listed on the Stock Exchange during 2007-2009 has been prove that the market value of equity is significantly higher than the book value of equity (Gamayuni, 2010). The fact that there is a significant gap between the book value of equity and the equity markets value, and the high intangible assets in recent years prompted the researchers to prove whether the intangible asset is a significant factor in increasing the value of the company (and which led to a significant gap between the book value equity with a market value of equity), and whether the financial statements are represented by the financial performance is still used by investors to predict firm value. Intangible assets are defined in this study is the sum of what is produced by the three main elements of the organization (human capital, structural capital, costumer / relational capital) related to knowledge and technology that can deliver more value to the company form of organization a competitive advantage. To run the company activities, financial managers must find the optimal source of funds, whether the search for and use of internal funds (retained earnings and depreciation) or external (equity and debt) or even both. Appropriate funding decisions will affect the company's performance, because each funding source has its advantages as well as different risk. Mix between equity and debt usage is referred to as capital structure. To meet the expectations of investors, fund managers try to maximize the welfare of investors by making these decisions and the financial policy decisions of funding (financing decision), investment decisions (Investment decision) and dividend policy (dividend policy). These three financial decision needs to be done because the decision was mutually affect one another and can affect firm value (Jensen & Smith, 1984; Fama and French, 1998; Gitman, 2000; Brigham & Erhardt, 2002; Van Horne & Wachowizc, 2004; Van Horne, 2002). Modigliani-Miller theory is the foundation of modern thinking on capital structure. The theory states that in the process of market prices, with taxes, bankruptcy costs, and information asymmetry, and in an efficient market

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conditions, the company will not be affected by how it funded. That is, no matter the company's capital increase through issuing stock or selling debt, dividend policy does not affect the company. Therefore, the Modigliani-Miller theory is often called the capital structure irrelevance principle. Some other theories that suggested a link between financial policy (debt structure and dividend) to the intangible asset and enterprise value, including Bird in the hand theory (Gordon & Litnert), pecking order theory (Myers & Majluf, 1984), Signaling argument (Bhattacharya, 1970), and Agency theory (Jensen and Mecling, 1976). Among these theories there are still a disagreement. And so from the results of previous studies have not been obtained a consistency of the results on the relationship between intangible assets, financial policy, and corporate value. Therefore, researchers interested in studying this issue further.

2. Review of Literature

2.1 Firm Value Theory

Modigliani and Miller theory (first proposed in 1958) regarding capital structure and corporate value, stating that if there is no tax, then the value of levered firms (firms that have debt) is equal to the value of unlevered firms (firms that have no debt). If there is a tax, then the company has a debt to pay less tax, so companies that have debt will be more valuable to investors than the same company with no debt. So, with the tax then levered firm is more valuable than the unlevered firm. Based on the literature, the measurement company's value can be obtained through: (1) Tobin's q: Market value of equities / Book value of equities, by James Tobin (1967), Copeland (2002), Lindenberg and Ross (1981), and other researchers, (2) Price Book Value (PBV) which is the value assigned to the management of financial markets and corporate organizations as a company that continues to grow (Brigham, 1999 in Wahyudi and Pawestri, 2006, Andri and Hanung, 2007), (3) Enterprise Value = market value + debt - cash, (4) The present value of cash flow, (5) Free Cash Flow to the Firm = after-tax operating income - reinvestment needs. Q-Ratio is a more carefully measure about how effective management in utilizing economic resources in his power. Q tobins ratio measures the company's market value in connection with the replacement cost of the asset. Value of ratio greater than 1 indicates that the company's assets can be bought cheaper than the company itself, meaning a higher market rate companies (overvaluation). While the Q ratio lower than 1 indicates that the market rate is lower (undervaluation).

2.2 Intangible Asset

Some types of intangible assets or intellectual capital is not presented in any other financial statements because it is difficult to be measured or quantified in monetary value. Intellectual capital is the group of knowledge assets that attributed to an organization and most significantly contribute to an improved competitive position of this organisation defined by adding value to key stakeholders (Marr and Schiuma, 2001). According to Sveiby (1998), the invisible intangible part of the balance sheet can be classified as a family of three, individual competence, internal structural, and external structure". Meanwhile, Leif

Edvinsson, as quoted by Brinker (2000) equates intellectual capital as amount of human capital and structural capital (eg, relationships with consumers, network management and information technology). Stewart (1997) and Luthi (1998) in Choong (2008) calculate excess ROA intellectual capital as consisting of human, customer, and structural intangible assets. Thus intellectual capital can be defined as the sum of what is produced by the three main elements of the organization (human capital, structural capital, customer capital) related to knowledge and technology that can deliver more value to the company form of organization a competitive advantage. Roos et al. (1997) revealed that the market value of these companies is many times their net asset value, that is the value of their physical. The difference between the two values is the company's "hidden value", which can be expressed as a percentage of the market value ". Based on that statements can be concluded that intellectual capital are the main factors that can increase market value and then a company's value. Measurement of intellectual capital is very important in a company. If there is no measurement, it will cause misallocation and the different information between company and investors. Abdolmohammadi (1999) refers to the view given by the Commissioner Wallman who mentions that there are three methods that can be used in the field of accounting to measure and report the company's intellectual capital, which is divided into two groups namely direct method and indirect method.

2.3 Intangible Asset and Firm Value

Hirshey and Weygandt (1985), Skinner (1993), Agrawal and Knoeber (1996), in Lantz, et al. (2005) gives the result that R & D expenditure correlated positive and significant to the company's market value. And so Connolly and Hirschey's (1984) in Lantz, et al. (2005) in her study prove positive correlation between R & D expenditures to firm value. Erawati and Sudana (2005) proposed the premise that the intangible assets together with the tangible assets is one unity that: (1) determine the value of the company and (2) affect the company's financial performance. This is supported by Pamela Megna and Marc Klock (1993) which proves that the intangible capital has contributed to the value of Tobin's Q, but can not explain it completely, because there are other factors that explain it. However, contrary to Daniel and Titman (2005) which proves that the future stock returns unrelated to the performance of the previous accounting period, but have significant and negative associated with the "intangible return". The book to market ratio can forecast return because this ratio is a good proxy for intangible asset. Value of intangible assets is more volatile than the value of tangible assets. These changes increase the difference between the book value to market value (John Garger, 2010).

2.4 Intangible Assets and Financial Performance

Lantz, et al. (2005) states that R & D expenditure occupies an important position in terms of performance, value and risk of intangible assets. R & D expenditures affect the company's market value also affect the performance of the company which are reflected in income and return (Sougiannis, 1994). Under IAS 38, R & D expenditures can be counted as expenses or assets. This choice will affect the financial performance, but the effect is difficult to

estimate because these expenses increase the information asymmetry between shareholders and managers. Canibano, Garcia-Ayuso and Sanchez (2000) in Lantz, et al. (2005) proves the existence of increasing returns due to increased spending on R & D. It was explained that investment in R & D can help improve future earnings. But Sundaram, John and John (1996) gives the opposite result, they found no positive relationship between R & D spending and stock market prices, because the market reaction depends on the level of competition. IC is a scalable resource to increase competitive advantages, then IC will contribute to the company's financial performance (Harrison and Sullivan, 2000; Chen et al., 2005; Abdolmohammadi, 2005) in Ulum, et al. (2005). Ulum, Ghozali, and Chariri (2008), prove that IC have positive and significant effect on company performance.

2.5 Intangible Assets and Financial Policies (debt and dividend policy)

Intangible assets according to Holmstrom (1989) has 5 unique characteristic: 1. Long-term, 2. The result can not be predicted, 3. High risk of bankruptcy, 4. Labor-intensive, 5. Special. These unique characteristic are impacting on financial policy within the company. Investments in intangible assets have an effect on debt policy and dividend policy within the company. Agency theory (Jensen and Meckling, 1976) argues that monetary policy is determined by the agency cost. Based on the unique characteristics of intangible assets, the agency cost is estimated to be higher in companies with intensive intangible assets. Intangible assets will increase the agency cost to shareholders (because of more information and hidden action), also on debtholder agency cost (asset substitution and underinvestment problem). Thus, investment in intangible assets will affect the company's financial policy. Pecking order theory by Myers and Majluf (1984) states that firms prefer internal financing sources (retained earnings) first. From outside financing, the company will choose issuing debt rather than equity. Thus, high intangible assets on companies will cause high levels of debt. As intangible assets associated with a high level of information asymmetry, the pecking order theory suggests high levels of debt. In accordance with Agency Theory by Jensen and Meckling (1976), monetary policy is determined by the agency cost. Based on the unique characteristics of intangible assets, agency cost is estimated to be higher in firms that have intensive intangible asset, because the nature of intangible assets are more risky than investment in tangible assets. The companies that have high intangible assets will affect the company's debt policy. Owners of companies that have high intangible assets can control the agency cost of debt by limiting the amount of risky debt. Agency cost of debt is increasing the cost of debt that occurs when there is a conflict of interest between managers and debtholder, where managers were more concerned with shareholders than debtholder. Agency cost of debt will be higher in companies that invest more in intangible assets. Companies that invest more intangible assets will possess a lower level of debt compared to companies that invest more in tangible assets (Long and Malitz, 1985). Agency theory as the theory underlying the relationship between intangible assets with debt policy is also consistent with the facts revealed by a Davidson and

Brooks (2004) in his research that the R & D intensive in a company associated with the smaller debt in the company's capital structure. If managers are risk averse then he will choose to invest in intangible assets (which is more risky than tangible assets), and one way to reduce the overall risk is to reduce corporate debt (Friend and Lang; 1988, Bretger et al; 1997) in Davidson, et al. (2004). The results of these studies are supported by Bal and Dumontier (2001). The conflict theories which underlying the relationship between intangible assets and debt policy (agency theory, pecking order theory) as well as the inconsistency between the facts of the study, makes researcher interested in studying this problem. Here's some theory that suggests a link between intangible assets with dividend policy:

1. Signalling argument (Bhattacharya, 1970):
Companies with high intangible assets, must pay high dividends to provide a good quality signal to investors. In terms of dividend policy, the theory is in contrast with the pecking order Theory and Agency Theory.
2. Pecking order theory (Myers and Majluf, 1984):
According to this theory, firms prefer internal financing sources (retained earnings) first, and when needs funds from outside the company will choose to issuing debt rather than equity. Thus, in line with this theory, companies with high R & D tend to pay lower dividends (Chan et al, 2001).
3. Agency Cost Theory (Jensen and Meckling, 1976).
The company incurred expenses related to the problem between the manager and shareholders (information asymmetry). In connection with the high agency cost, the debt requires a higher premium, new shares issued may require a higher discount, then the retained earnings are the lowest cost of funds as a source of funds to finance the company. Retained earnings are used to finance investments in intangible assets, not to pay dividends, so the high investment in intangible assets resulted in a lower dividend payments.

Conflicting theories were reinforced by previous studies. Davidson and Brooks (2004), gives the result that firms with intensive R & D will be more valuable if the company has a high dividend yield. This contrasts with La Porta et al. (2000) which proves that companies with high growth options which have a lower dividend payout ratio. While Alves and Martin (2010) proved that the level and types of intangible assets does not affect the dividend payout.

2.6 Financial Policy and Its Effect on Corporate Value

The company's main goal is to enhance corporate value by increasing the prosperity of the investors or shareholders. The higher the value of the company the greater the prosperity that will be received by the owner of the company or the investors (Fama, 1978; Wright and Ferris, 1997; Walker, 2000) in the Haruman (2007). To increase the value of the company which also means prosperity for investors, managers try to maximize the welfare of investors by making financial decisions and policies, investment decisions, and dividend policy. These three financial decision needs to be done because the decision was mutually affect one another and can affect firm value (Jensen & Smith, 1984; Fama and French, 1998; Gitman,

2000; Brigham & Erhardt, 2002; Van Horne & Wachowicz, 2004; Van Horne, 2002), quoted by Haruman (2007). In the process of maximizing enterprise value would arise a conflict of interest between managers and shareholders (agency problem). Jensen (1986), Barclay and Smith (1996) in Ahmed (2008) stated that conflict of interest between the bondholder and shareholder lead to agency problems. The effect of this conflict causes the stock price corrected and lowers the value of the company, called the agency cost equity for the company (Jensen and Meckling, 1976). This agency problem can be minimized with an oversight mechanism that would lead to agency cost.

2.7 Debt Policy and Corporate Values

In the financial decision making, the first thing to do is to find the optimal source of funding, whether from their own capital or from debt. Selection of the composition of this funding is referred to as capital structure decisions. There are several theories regarding capital structure, namely the tradeoff theory and pecking order theory. Tradeoff theory model illustrates that optimal capital structure can be determined by balancing the benefits from the use of debt (tax shield benefits of leverage) and costs incurred from the use of debt (Megginson, 1997) in Haruman (2007). But not all support this theory. Modigliani & Miller (1963), De Angelo & Masulis (1980), Bradley et al (1984) and Park & Evan (1996) in Haruman (2007) stated that the funding can increase firm value. If funding is funded through debt, the increase was the result of the effects of tax deductible. That is, companies that have debt will pay interest on the loan which can reduce taxable income, which can benefit shareholders. The use of external funding will increase the company's revenue to be used for investment activities that will enhance corporate value. The higher proportion of debt the higher the stock price, but at some point an increase in debt will lower the value of the company because the benefits derived from the use of debt is smaller than the costs incurred (Solihah & Taswan, 2002), quoted by Haruman (2007). Ahmed (2008) in his research results prove that with the opportunity to grow within the company, then the leverage ratio is negatively related to the performance of companies that represent the company's value. This is supported by Haruman (2007) which proves that the financing decision (debt to equity ratio) have significant and negative effect on firm value. However Taswan (2003) stated the opposite that policy of debt (Debt to Equity Ratio) has positive and significant impact on firm value (Price Book Value). Based on the results of these studies, there is no consistency of research results that can be used to support theories related.

2.8 Dividend policy and Corporate Values

Other financial decisions by financial managers is to decide whether the profits from the company during a period should be distributed or shared in part or all dividends and some will not be divided in the form of retained earnings, it was called dividend policy. There are three views on the relationship between dividends and firm value by Brigham and Gapenski (1996), quoted by Haruman (2007). The third opinion is in conflict with each other, namely: (1) Modigliani and Miller argue that dividend policy is irrelevant because it does not affect to the firm's value or cost of capital. Firm value depends on its asset investment policy,

not on how profits will be divided to dividends and profits are not shared. Therefore, according to MM would not exist an optimal policy. (2) Gordon and Litnert theory: bird in the hand, argues that better dividends than capital gains, because dividends are less risky, firm therefore should establish a high dividend payout ratio that offer high dividend yield can maximize its stock price. (3) Litzenberger and Ramaswamy argue that investors prefer retained earnings rather than dividends, because the consideration of tax levied on capital gains is lower than the dividend tax. This theory suggests that companies should pay lower dividends when you want to maximize its stock price. In addition to these three theories above, there are two conflicting theories of signaling and contracting theory. Signaling theory assumes that dividend information can mean good news for investors because the company had free cash flow from operations to be shared. Contracting theory considers such information is bad news, because it shows the inability of management to reinvest free cash flow which is owned by the company. Rahim, et al. (2008) stated that dividend policy have significant and positive effect on tobins'Q company. Instead Haruman (2007) and Taswan (2003) proved that dividend policy have a significant and negative effect on firm value.

2.9 Financial Performance and Firm value

Previous studies have been conducted to prove the influence of company's financial performance to stock return. Vishnany and Shah (2008) proved that the ratios derived from financial statements have a significant relationship with stock market indicators, meaning that information from financial statements still have a value relevant for investors in decision-making and can explain the size of the stock market. Several other studies found that the structure of financial risks and earnings smoothing have effected on firm value (Suranta and Pratana, 2004; Maryatini, 2006). Investment opportunity set and the leverage effect on firm value (Andri and Hanung, 2007). Ulupui (2007) proves that the financial ratios that affect the stock return is current ratio and ROA. These results are consistent with Modigliani and Miller's opinion that the enterprise value is determined by the earnings power of the company's assets. So ROA is one of the factors that affect firm value. The same results on the research by Wirakusuma Yuniasih (2007), Makaryawati (2002), Carlson and Bathala (1997) in Suranta and Pratana (2004).

3. Hypothesis:

1. Intangible assets affect financial policy (debt policy and dividend policy)
 1. Intangible assets affect the debt policy
 2. Intangible assets affect the dividend policy
2. Intangible assets affect financial performance
 1. Intangible assets affect the current ratio
 2. Intangible assets affect ROA
 3. Intangible assets affect asset turnover
3. Intangible assets, financial policies, and financial performance, affect firm value
 1. Intangible asset has a positive effect on firm value
 2. Debt policy affect firm value
 3. Dividend policy affects firm value
 4. Financial performance affects firm value

1. Current ratio affect firm value
2. ROA has a positive effect on firm value
3. Asset turnover affect firm value

4. Research Methods

Object of this study is dependent and independent variables which calculated based on annual financial reports of manufacturing companies listed on IDX (2007-2009). Analyses were performed with cross-sectional and time series data for variables in the form of proportional changes in the ratios / financial data. Hypothesis was testing by Path Analysis, a method of quantitative data analysis of causality between the variables studied. Definition of variables used in this study:

1. Intangible assets (X), is the sum of three main elements of the organization (human capital, structural capital, customer capital).
2. Debt policy (Y1), is the leverage ratio that describes the company's capital structure.
3. Dividend policy (Y2) is the ratio of distribution of profits distributed to shareholders.
4. Financial Performance. The indicator are financial ratios:
Liquidity Ratio (Y3), current ratio, is the ability to pay debts that must be met with current assets.
Profitability Ratio (Y4), Return on Assets (ROA) is the ratio that measures the ability of capital invested in the overall assets to generate profits for business owners.
Activity Ratio (Y5), total asset turnover ratio is the ability of the capital invested to generate revenue.
5. Company Value (Z) is an economic measure that reflects the market value of the whole business.

Table 1. Variables in Research and Indicators.

Notation variable	Indicator	
Intangible asset:		
X	Value of Intangible assets	Market Value of Equity (MVE) - Book Value of Equity (BVE)
Debt Policy		
Y1	Debt to equity ratio	$\frac{\text{Debt}}{\text{Equity}}$
Dividend Policy		
Y2	Dividend Payout Ratio	$\frac{\text{Dividend per share}}{\text{Earning per share}}$
Financial Performance		
Y3	Liquidity Ratio	Current ratio: $\frac{\text{Current Assets}}{\text{Current Debt}}$
Y4	Profitability Ratios	Return on Assets (ROA): $\frac{\text{Net after-tax profit}}{\text{Total assets}}$
Y5	Asset Turnover	$\frac{\text{Sales}}{\text{Total assets}}$
Company Value		
Z	Tobin's Q	$Q = \frac{\text{MVE}}{\text{BE}}$

Population of this research is companies listed in the Indonesian Stock Exchange. Selection of sample study

was based on the nonprobability sampling method which is purposive sampling method.

Sample selection criteria:

1. IDX company registered in the year 2007-2009, which publishes an annual report continually.
2. Sample company has the financial report ending December 31.
3. Paying dividends for 3 years (2007-2009) continually.
4. Detailed financial statements available.

Hipotesis 1:

1. $DER = a + b_1 IA + e_1$
2. $DPR = a + b_2 IA + e_2$

Hipotesis 2:

3. $CR = a + b_3 IA + e_3$
4. $ROA = a + b_4 IA + e_4$
5. $AsT = a + b_5 IA + e_5$

Hipotesis 3:

6. $FV = a + b_6 IA + b_7 DPR + b_8 DER + b_9 CR + b_{10} ROA + b_{11} AsT + e_6$

Keterangan:

FV	: Firm Value (Tobin's q)
IA	: Intangible asset
DER	: debt to equity ratio
DPR	: Deviden Payout Ratio
CR	: current ratio
ROA	: return on asset
AsT	: Asset turnover

5. Result

Table 2. Descriptive Statistics Variables

	N	Minimum	Max	Mean
Intasset (X)	90	-38029851.00	1.71E8	1.4851E7
DER (Y1)	90	.16	13.62	1.1200
Dev (Y2)	90	.01	4:49	.5377
CR (Y3)	90	.20	8:10	2.3749
ROA (Y4)	90	.00	1:01	.1382
Asturnof (Y5)	90	.28	6:51	1.4054
FV (Z)	90	.21	34.81	3.2200

Classic assumption test were conducted to qualify the multiple regression, there are test of normality, multicollinearity, heterokedastisitas, and autocorrelation. From the results of the data transformation, all data was normally distributed except for ROA (Table 2). ROA is not normally distributed because there are outliers, but it still retained because it is a representation of the population studied (Ghazali, 2006). Equations 1,2,3,4,5,6 have been free from multicollinearity, because Durbin Watson value is in accepted area. There is no autocorrelation in equation 1,2,3,4,5,6, because tolerance value not more than 0,10 and VIF not more than 10. Results of heterocedasticity test for equations 1,2,3,4,5,6 was no heterocedasticity because from the *scatterplot* graphic, the dots spread randomly above and below zero on the y axis.

Results of regression analysis for model 1: The Effect of Intangible Assets on Debt Policy

Table 3. Results of regression analysis for The Effect of Intangible Assets (X) on Debt Policy (Y1)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1328	.404		3282	.002
	X	-.061	.060	-.128	-1016	.313

The influence of intangible assets on the debt policy (debt to equity ratio) are indicated by path coefficients (P1) -0.128, means that intangible assets have negative effect on debt policy. The calculation result obtained t count -1.016, while the t table is 1.987 (df = n-2, p-value = 0.05). Since t count < t table, and obtained a significance value $0.313 > p$ value (0.05) it means that the negative effect is statistically insignificant. It means intangible assets (X) have negative effect on the debt equity ratio or leverage ratio, but not significant. The results of this study do not support the pecking order theory which states that the higher the intangible assets the higher the level of corporate debt. But the results of this study support the agency cost theory, and the majority of previous research results that prove the fact that the intangible assets associated with the smaller debt in corporate capital structure. But this study was found no significant effect between intangible assets with DER maybe it was caused by mutually contradictory between the two opinions of theories (the pecking order theory and agency cost theory), also the lack of sample companies used in this study.

Results of regression analysis for model 2: The Effect of Intangible Assets on Dividend Policy.

Table 4. Results of regression analysis for The Effect of Intangible Assets on Dividend Policy.

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.245	.293		.837	.406
	X	.066	.044	.189	1514	.135

The influence of intangible assets on dividend policy (dividend payout ratio) is indicated by the path coefficients (P2) 0.189, it means intangible assets have positive effect on dividend policy. The calculation result obtained t count 1.514, while the t table is obtained 1.987 (df = n-2, p-value = 0.05). Since t count < t table, and obtained a significance value $0.135 > p$ value (0.05) it means that the positive effects are statistically insignificant. It means intangible assets (X) have positive effect on dividend payout ratio, but not significant. These results support the signaling theory which states that intangible assets have a positive and significant impact on dividend, as firms with high intangible assets that will pay higher dividends in order to give a good signal for investors. However, the results of this study do not support the agency theory and the pecking order theory

which states intangible assets have significant negative effect on the dividend. According to this theory, the higher the intangible asset and the higher cost of capital for investment, investors would prefer to use retained earnings to finance investment because the cost is lowest. Retained earnings are mostly to finance investment rather than to pay dividends so that in companies with high intangible assets would pay lower dividends. The research was supported by Alves and Martin (2010) in his research that proves that the level and type of intangible assets have no significant effect on dividend payout.

Results of regression analysis for model 3: The influence of Intangible Assets on Current Ratio

Table 5. Results of regression analysis The influence of Intangible Assets on Current Ratio

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.461	.258		1787	.079
	X	-.028	.038	-.093	-.737	.464

The influence of intangible assets on financial performance (current ratio) is shown by the path coefficient (P3) -0.093, means that intangible assets have negative affect on the current ratio. The calculation result obtained t count -0.737, while the t table is obtained 1.987 (df = n-2, p-value = 0.05). Since t count < t table, and obtained a significance value $0.464 > p$ value (0.05) it means that negative effects are statistically insignificant. The higher the intangible assets, the lower the ability of current assets to meet debt payment obligations of the company, but these results are statistically insignificant. These negative results were probably due to the companies with high intangible assets use more cash to finance its investment, thus decreasing the ability of assets to meet current liabilities company.

Results of regression analysis for model 4: The influence of Intangible Assets on ROA

Table 6. Results of regression analysis for The influence of Intangible Assets on ROA

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.036	.106		-.334	.739
	X	.061	.016	.438	3831	.000

The effect of intangible assets on ROA is shown by the path coefficients (P4) 0.438 means that intangible asset have positive effect on ROA. The calculation result obtained t count 3.831, while t table 1.987 (df = n-2, p-value = 0.05). Because t count > t table, and obtained a significance value $0.000 < p$ value (0.05) it means that the positive effects are statistically significant (HA accepted). These mean

intangible assets (X) have positive and significant impact on ROA. These results support research conducted by Ulum, Ghozali, and Chariri (2008), proving that the Intellectual Capital has positive and significant impact on company performance as represented by the ROA. These means that the higher the intangible assets the higher the ability of the capital invested in the overall assets to generate profits for the owners of the company.

Results of regression analysis for model 5: The influence of Intangible Assets on Asset Turnover Ratio

Table 7. Results of regression analysis for The influence of Intangible Assets on Asset Turnover Ratio

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
	B	Std. Error	Beta			
1	(Constant)	1125	.223		5056	.000
	X	.000	.033	-.003	-.024	.981

The influence of intangible assets on assets turnover ratio is indicated by the path coefficient (P5) -0.003 means that intangible assets have negative effect on asset turnover ratio. The calculation result obtained t count -0.024, while t table 1.987 (df = n-2, p-value = 0.05). Since t count < t table, and obtained a significance value 0.981 > p value (0.05) it means that the positive effects are statistically insignificant. It means intangible assets (X) have negative effect on asset turnover ratio, but the effect was not significant. The higher the intangible assets within a company, the lower the ability of capital to generate revenue. But this result is statistically not significant, probably due to the lack of number of sample firms in this study.

Results of multiple regression analysis for model 6: Effect of intangible assets, Financial Policy, and Financial Performance on Firm Value

Table 8. Multiple Regression Results Effect of intangible assets, Financial Policy, and Financial Performance on Firm Value

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	-1588	.220		-7215	.000
	X	.186	.025	.548	7466	.000
	Y1	.429	.063	.604	6835	.000
	Y2	.047	.064	.048	.726	.471
	Y3	.037	.094	.033	.395	.694
	Y4	1118	.200	.457	5603	.000
	Y5	-.034	.090	-.026	-.382	.704

Based on the results of F test, obtained F value 32.404 and p value 0.000. F table 19.296 (p value = 0.05%). Hence F calculated > F table and p value < 0.05, it was concluded that intangible assets, DER, DPR, current assets, ROA,

asset turnover were jointly have significant effect on firm value. The influence of intangible assets (X) to the Firm value (Z) indicated by the path coefficient (P6) 0.548 means that intangible assets have positive effect on firm value. The calculation result obtained t count 7.466, while t table 1.987 (df = n-2, p-value = 0.05). Because t count > t table, and obtained a significance value 0.000 < p value (0.05) it means that positive effects are statistically significant. Thus means that HA is received, intangible assets (X) have positive and significant impact on corporate value. This indicates that the intangible assets is one of the factors that affect firm value. In accordance with the statement of John Garger (2010) that the intangible asset may increase the difference between the book value to market value. Also consistent with the premise put forward by Erawati and Sudana (2005) that the intangible assets together with the tangible assets is one unit that determines the value of the company. The higher the intangible assets the higher the firm value because this is a hidden value, meaning value generated by intangible assets is not always visible in the financial statements, but these intangible assets (which is an innovation, new technologies, skills and knowledge of employees) are very determine the success of the company so that it will increase the value of the company. The results of this study support research conducted by Pamela Megna and Marck Klock (1993), Ulum, Ghozali, and Chariri (2008), that the intangible assets or intellectual capital has positive and significant impact on corporate value. The influence of debt equity ratio (Y3) on firm value (Z) indicated by the path coefficient (P7) 0.604 means that DER have positive effect on firm value. The calculation result obtained t count 6.835, while t table 1.987 (df = n-2, p-value = 0.05). Because t count > t table, and obtained a significance value 0.000 < p value (0.05) it means that the positive effects are statistically significant (HA accepted). Thus it means DER (Y3) have positive and significant impact on firm value (Z). These indicates that the higher the debt ratio, the higher the firm value. The results are consistent with the Modigliani and Miller theory regarding capital structure and corporate value, which is that companies that have debt will pay lower taxes so that companies that have debt will be more valuable to investors than the same company if there is no debt. The results of this study do not support research conducted by Andri and Hanung (2007) who found that the debt to equity ratio or the leverage effect is negative and significant impact on corporate value. The influences of dividend payment ratio (Y2) to the firm value (Z) indicated by the path coefficient (P8) 0.048 means that DPR has positive effect on firm value. The calculation result obtained t count 0.726 while t table 1.987 (df = n-2, p-value = 0.05). Since t count < t table, and significance value 0.471 > p value (0.05) it means that the positive effects are statistically insignificant. These means that the DPR (Y2) has a positive effect on firm value but statistically insignificant. The results of this study support the signaling theory and the bird in the hand theory, which states that the higher the DPR the higher the firm value. According to signaling theory, the company will distribute dividends to signaling good news for investors, thus increasing the value of the company. Meanwhile, according to the bird in the hand theory, investors prefer dividends to distributed, so that investors would prefer companies with high DPR where this has resulted in an increase in stock price and corporate

value. However, the results of this study are not consistent with Modigliani and Miller's theory that dividend policy is irrelevant because it does not affect at all the firm's value. Company's value does not depend on the magnitude of the amount of dividends paid. The results of this study also supports research by Ahmed (2008), Rahim, et al. (2008), who found a positive and significant relationship between the firm value and the DPR, but does not support Haruman (2007) and Taswan (2003) which proves the existence of a significant negative influence. The influence of current assets ratio (Y3) on firm value (Z) indicated by the path coefficient (P9) 0.033 means the current assets ratio (Y3) has a positive effect on firm value (Z). The calculation result obtained t count 0.395 while t table 1.987 (df = n-2, p-value = 0.05). Since t count < t table, and obtained a significance value 0.694 > p value (0.05) it means that the positive effects are statistically insignificant. These means ratio of current assets (Y3) has a positive effect on firm value but statistically insignificant. This is in line with research conducted by Ulupui (2007) which proves that the current ratio has a positive and significant impact on stock returns one period ahead, which indicates that the current ratio can be used to predict stock returns. Beta coefficients are positive in the results of this study indicate that the higher the company's current asset capabilities to meet its current liabilities, the higher the value of the company, but these results are statistically insignificant. The influence of ROA (Y4) to the value of the company (Z) indicated by the path coefficient (P10) 0.457 means that ROA has a positive effect on firm value. The calculation result obtained t count 5.603, while t table 1.987 (df = n-2, p-value = 0.05). Because t count > t table, and obtained a significance value 0.000 < p value (0.05) it means that the positive effects are statistically significant (HA accepted). These means ROA (Y4) has positive and significant impact on firm value (Z). These indicates that ROA can be used to predict the value of the company. The results of this study are consistent with theories and opinions Modigliani and Miller that the enterprise value is determined by the earning power of assets. The results of this study also supports research conducted by Vishnani and Shah (2008), Ulupui (2007), Yuniasih and Wirakusuma (2007), who found that the ROA has positive and significant impact on corporate value. But it's not supported by Pranata Suranta (2004), Kaaro (2002) who found that ROA has negative effect on the firm value. The influence of asset turnover ratio (Y5) on firm value (Z) indicated by the path coefficients (P 11) -0.026, it's means asset turnover ratio negatively affect firm value, then the HA rejected. The calculation result obtained t count -0.382, while t table 1.987 (df = n-2, p-value = 0.05). Since t count < t table, and obtained a significance value 0.704 > p value (0.05) it means that negative effects are statistically insignificant. These means asset turnover ratio (Y4) have negative effect on firm value (Z) but not significant. The results of this study support Ulupui (2007) that the asset turnover is affect negative but not signifikan on stock returns. But not in line with the results of Kennedy (2003) which showed a variable asset turnover significantly influence stock returns.

Regression equation derived from the results of path analysis:

1. $DER = -0,128 IA + e1$
2. $DPR = 0,189 IA + e2$

3. $CR = -0,093 IA + e3$
4. $ROA = 0,438 IA + e4$
5. $AstTurn = -0,003 IA + e5$
6. $FV = 0,548 IA + 0,604 DER + 0,048 DEV + 0,033 CR + 0,457 ROA - 0,026 astturn + e6$

Effect of error was determined as follows:

$$e1 = \sqrt{1 - R1^2} = \sqrt{1 - 0,016} = 0,492$$

$$e2 = \sqrt{1 - R2^2} = \sqrt{1 - 0,036} = 0,482$$

$$e3 = \sqrt{1 - R3^2} = \sqrt{1 - 0,009} = 0,4955$$

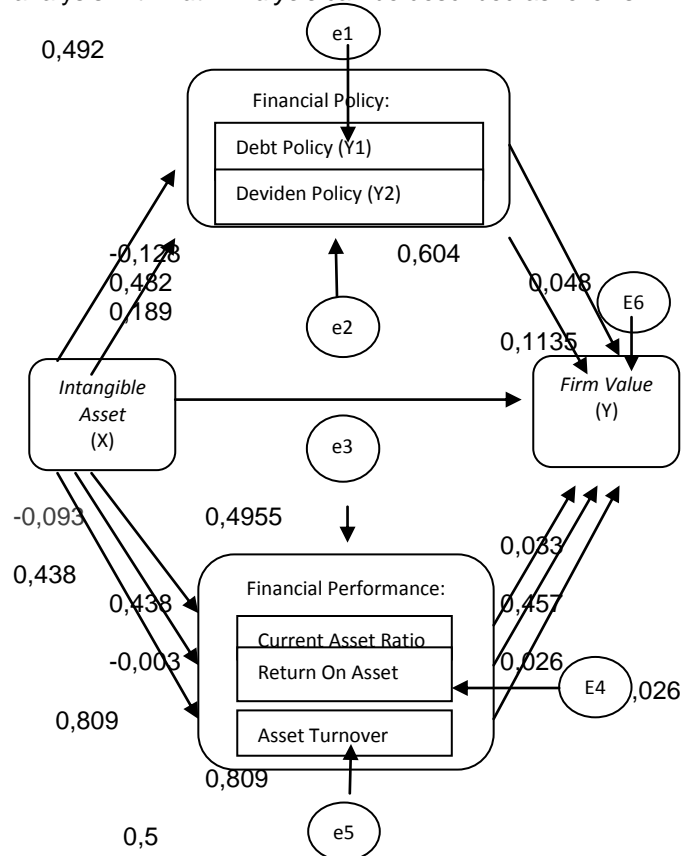
$$e4 = \sqrt{1 - R4^2} = \sqrt{1 - 0,191} = 0,809$$

$$e5 = \sqrt{1 - R5^2} = \sqrt{1 - 0,000} = 0,5$$

$$e6 = \sqrt{1 - R6^2} = \sqrt{1 - 0,773} = 0,1135$$

Total Coefficient of Determination (R_m^2): The total diversity of data that can be explained by the model is measured by: $R_m^2 = 1 - (0,492)^2 - (0,482)^2 - (0,4955)^2 - (0,809)^2 - (0,5)^2 - (0,1135)^2 = 0,6547$

The diversity of data that can be explained by the model is 65.47%. This value means that the variable firm value can be explained by the variable *intangible* assets, financial policies, and financial performance about 65.47%, while the remaining 34.52% is explained by other variables (which is not contained in the model) and error. The results of data analysis with *Path Analysis* can be described as follows:



Interpretation of Results. Total Effect of intangible assets (IA) on the Firm Value (FV):
 Direct influence of IA to FV = 0.548
 Indirect effect:
 • IA to DER to FV = $-0.128 \times 0.604 = -0.132$

- IA to DPR to FV = $0.189 \times 0.048 = 0.0030$
- IA to CR to FV = $-0.093 \times 0.033 = -0.0031$
- IA to ROA to FV = $0.438 \times 0.457 = 0.200$
- IA to Astturn to FV = $-0.003 \times 0.026 = \frac{-0.00008 + 0.6158}{0.6158}$

Total Effect of IA to FV =

Based on the results of validity model by calculating the total coefficient of determination, found that the model can explain the information contained in the data, up to 65.47%. This figure is quite large, so we can do further interpretation. The trajectory which have significant influence is *intangible asset* to the firm value through ROA. The information presented is an effort to enhance firm value should be done by increasing the *intangible asset* which followed by efforts to improve ROA. In such circumstances the ROA variable serves as an intervening or mediating variable. Currently, the world has been change from manufacturing based economy era to a knowledge-based economy era. Companies have moved forward in the knowledge based human capital, structural capital and relational capital to achieve competitive advantage. Therefore, IC should be measured accurately. The significant differences between the book value to market value in large companies in the United States and in Indonesia over the past 2 decades, proves the limitations of financial statements. Increasing gap between the market value to book value is evidence that the framework of financial accounting that exist today presents an overview of the company who did not complete (Guthrie & Yongvanich, 2004; Lev, 2001; Lev & Zarowin, 1999) in Sonnier, et al (2007). But this limitation problem can be overcome by using the fair value approach in assessing the value of assets.

5. Conclusion

Intangible assets have negative but not significant effect on DER. The higher investments in intangible assets the lower the debt. This occurs because companies use the funds from retained earnings to invest in intangible asset and reduce debt, because intangible asset was more risky so it have higher debt cost. Intangible assets have a positive but not significant effect on dividend policy / DPR. The higher the intangible assets the higher the dividends are paid, because companies want to give good quality signals for investors. Intangible assets have a positive and significant effect on company performance as represented by the ROA. These results support previous research that found that the higher the intangible assets, the higher the ability of companies to return earnings assets. Intangible assets have negative but not significant effect on the current ratio and asset turnover. Simultaneously, intangible assets, debt policy (DER and DPR), corporate performance (current ratio, ROA, asset turnover) is jointly have significant effect on firm value. Intangible assets have positive and significant effect on firm value. The higher the intangible assets owned by the company, the higher company's ability to generate profits, and investors will appreciate the company (seen from the large market capitalization in companies) that will increase the value of the company. Corporate debt policy has positive and significant effect on corporate value, means that the higher the level of

corporate debt, the higher the value of the company, this supports the theory of Modigliani and Miller. Dividend policy have positive but not significant effect on firm value. Intangible assets, financial policies (DER and DPR), and financial performance (current ratio, ROA, debt asset turnover) have proved simultaneously significant effect on firm value. Partially, factors that significantly influence the firm's value is intangible assets (positive and significant), ROA (positive and significant), and the debt policy (positive and significant), whereas other factors such as dividend policy and performance finance (current assets, asset turnover) have no significant effect on firm value. General conclusions can be drawn from the results of this study, intangible assets (including intellectual capital in it) will increase the company's financial performance (ROA), and this would lead to increased corporate value. Financial statements or accounting standards that exist today still have limitations in measuring and reporting intellectual capital. Whereas the results of this study prove that intangible assets or intellectual capital have significant effect on firm value. This makes company less accurate in providing information about the actual value of the company resulting in a significant difference between book value and market value. But this limitation can be overcome by using fair value approach in assessing the value of asset.

6. Suggestion

1. This study uses market capitalization method, which is the most appropriate indicators because it can represent variable intangible asset as a hidden value as target under this study In future studies may use other indicators of intangible assets, so the results can be compared.
2. We recommend that public companies must use fair value approaches in assessing the value of asset in order to improve earnings quality and relevancy of financial statements.
3. Several types of intellectual capital that can not be classified as intangible assets should be disclosed in the disclosure of financial statements. It is required a standardization of intellectual capital disclosure as part of the intangible assets that are not presented in the balance sheet, in order to provide more comparability between companies so can be beneficial for analysts and investors as an indicator of future potential firms. Currently there are no standardization of IC disclosure. The Financial Accounting Standards as well as Indonesian Financial Accounting Standards have not made a rule for such standardization.

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