Impact of Implementation of PSAK 73 Leases on The Quality of Finanial Information Company Registered in Indonesia

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Abstract. This study aims to test whether there is a significant change in the company's financial ratios before and after the implementation of PSAK 73 and whether PSAK 73 has value relevance. This study uses a sample of companies that have high rental intensity and are listed on the Indonesian capital market. Data was analyzed using a paired sample difference test was performed, but because the data was not normally distributed, a mean difference test was performed using the Wilcoxon Sign Ranked Test. Testing the value relevance of PSAK 73 is carried out using the Ohlson model. The study concluded that all ratios used in this study, namely the current ratio, debt ratio, debt to equity ratio, asset turnover, interest ratio, and depreciation ratio, proved to have significant changes. The relevance of the value of applying PSAK 73 cannot be proven by testing the samples used in this study.

Keywords: Ohlson Model, PSAK 73, Value relevance, Paired sample t test.

1 Introduction

On January 1, 2020 Statement of Financial Accounting Standards (PSAK)73 Leases, which are the adoption of International Financial Reporting Standards (IFRS) 16 Leases, must be applied by companies that carry out lease transactions. This PSAK 73 replaces the previously applicable PSAK 30 which allows for off balance sheet financing. PSAK 30 divides leases into operating leases and finance leases for both the lessee and the lessor. Off balance sheet financing behavior provides incentives for companies to tend to prefer operating leases to finance leases (Abdel-Khalik, 1981). This is considered unhealthy in the financial reporting process because it cannot provide complete information on the existence of large amounts of liabilities from operating lease activities. As a result, the usefulness of financial reports is not optimal. PSAK 73 was enacted to overcome problems arising from the weaknesses of PSAK 30 so that the financial statements are expected to present lease transactions more precisely.

PSAK 73 has an impact especially on the lessee. With the application of PSAK 73, Lessee recognizes all leased assets as Right of Use Assets and at the same time recognizes Lease

Liabilities (long-term liabilities). Lessees may not recognize these assets and liabilities if the lease transaction is of small value and has a short term. With this provision, liabilities that previously could be hidden (off balance sheet) become liabilities presented in the Company's Statement of Financial Position. However, the impact of implementing PSAK 73 will not only stop with the recognition of assets and liabilities in the statement of financial position, but will also change the company's operational indicators. This happens because the recognition of assets will result in depreciation expenses, and on the other hand, the recognition of liabilities will result in interest expenses. Of course, these two expenses will affect the profit that can be recognized by an entity in its reporting period.

In Indonesia itself, several researchers have also tried to conduct research related to the impact of implementing PSAK 73 on entities in Indonesia. Safitri et al. (2019) using the constructive capitalization method, researchers try to predict the impact of PSAK 73 on issuer financial performance entities in the manufacturing, mining, and service sectors. The results of research by Safitri et al (2019) concluded that the implementation of PSAK 73 had the greatest impact on the service sector, then the mining and manufacturing sectors where issuers experienced an increase in the ratio of debt to assets and the ratio of debt to equity. In addition, Safitri et al (2020) also found that these issuers will experience a decrease in the ratio of the rate of return on assets and the rate of return on equity. Saing and Firmansyah (2021) also tested the impact of PSAK 73 on issuers in the telecommunications sector. By comparing the performance of issuers before and after the implementation of PSAK 73, Saing and Firmansyah (2021) concluded that the implementation of PSAK 73 had an impact on increasing assets and liabilities which ultimately affected operational ratios and debt ratios. In general, Saing and Firmansyah (2021) found that the ratio of debt to assets and the ratio of assets to equity increased. However, in contrast to the results obtained by Safitri et al (2020), Saing and Firmansyah (2021) found that the ratio of returns to assets and the ratio of returns to equity increased for telecommunications issuers.

Jonatan et al (2021) conducted research on the effect of the application of PSAK 73 on value relevance and concluded that the application of PSAK 73 has no impact on the value relevance of financial information. This study also suspects that value relevance will be significant for companies that have a significant proportion of rental. For this reason, this study will re-examine whether the application of PSAK 73 has value relevance to financial information in companies that have high rental intensity.

Under PSAK 73, except for short-term and low-value leases, all leased assets are recognized as lessee's assets. This, in the view of the standard setters, will produce financial information that is more transparent, avoids the practice of off-balance sheet financing and has a better relevant value. Expectations from the application of PSAK 73 need to be proven with empirical evidence by comparing the relevant value of financial information before and after the application of PSAK 73.

2 Literature Review

2.1 Agency Theory, Information Asymmetry and PSAK 73

Agency theory explains that in a company, there is a party that acts as a manager (agent) who gets the trust to manage the capital belonging to the investor (principal). The manager will act on behalf of the company owner to run the company in the interest of the owner/investor.

However, problems can occur because managers know the day-to-day operations of the company while investors rely on information from managers. This can lead to information asymmetry problems. Agency problems (Jensen & Meckling, 1976) can occur because the information held by managers about the company and the information received by investors is not aligned. Therefore, investors will try to overcome this information asymmetry problem by spending money to supervise managers.

Accounting standards prepared by accounting standard setters are expected to minimize the occurrence of information asymmetry between management as a preparer of financial reports and investors as users of financial statements. Accounting standards can reduce asymmetry and will improve the quality of information in financial reports ((Muller III et al., 2011). By minimizing information asymmetry, it is expected that the cost of capital will decrease, capital market liquidity will increase and the level of earnings management will decrease which will ultimately increase the value relevance of accounting information.

Companies are increasingly using the lease mechanism to benefit from fixed assets. This is because leasing has several advantages (Kieso, 2018). Some of the advantages include leasing transactions, companies can benefit from assets with relatively cheaper financing. In addition, companies also get financing facilities that can even be up to 100%. In terms of obsolescence, with certain agreements the company can avoid physical and technological obsolescence problems if it acquires assets through leasing.

So far, the company uses an operating lease mechanism because an operating lease can prevent the company from recognizing long-term liabilities for the lease. The operating lease trend has increased while the financing lease has not (Abdel-Khalik, 1981). This tendency can be an indication that companies are trying to hide liabilities due to lease transactions (off balance sheet financing). By not presenting long-term liabilities, the company benefits from good financial ratios, for example the ratio of return on assets, debt to equity, and others. The non-presentation of this lease obligation is a form of information asymmetry between management and investors regarding lease transactions.

Against this background, the International Accounting Standards (IAS) issued IFRS 16 which was adopted in Indonesia to become PSAK 73 which regulates leasing. This PSAK stipulates that all leased assets are recognized as long-term assets except, leases where underlying assets are of low value (agreed on <$5000), and assets with short lease terms (one year or less). With this provision, the lessee company will recognize the leased assets and lease liabilities in the statement of financial position and will then recognize interest expense resulting from the recognition of lease liabilities and depreciation expenses for leased assets. PSAK 73 must be applied by companies in 2020.

PSAK 73 replaces PSAK 30 on Leases, ISAK 8 on Determining Whether an Agreement Contains Leases, ISAK 23 on Operational-Incentive Leases, ISAK 24 on Evaluation of the Substance of Transactions Involving a Legal Form of Lease and ISAK 25 on Land Rights. The reason for the revocation of PSAK and ISAK regarding previous leases is to eliminate the information asymmetry of company lease transactions.

Financial reports are useful for users to assess the company's financial performance. Financial ratio analysis can be used to assess the effectiveness of management's financial management. There are several important financial ratios that can be calculated from the information presented in the financial statements, namely liquidity ratios, solvency ratios, profitability ratios, growth ratios and valuation ratios. In this study, only a few relevant ratios will be used.

The liquidity ratio is the ratio that shows how quickly a company can convert non-cash assets into cash and fulfill its short-term obligations. This ratio is important to assess whether a company can fulfill its obligations in a timely manner. The solvency ratio is measured to assess how much the company's assets are financed from debt. In addition to solvency and liquidity ratios, this study will also measure changes in the company's operating ratios due to the implementation of PSAK 73. The operational ratio is calculated from the amount of operating costs compared to the company's operating income. This ratio shows the efficiency of the company's operational costs.

2.2 Previous Research

Regarding the relevance of the value of the application of IFRS 16, several studies abroad have identified whether the application of this standard has value relevance. Among them is Wang et al (2020) who try to identify whether there is value relevance in the application of IFRS 16 in Taiwan. From the results of his research, Wang et al. (2020) did not find any value relevance to the application of IFRS. The application of IFRS affects the company's solvency ratio and operational ratio. Giner and Pardo (2018) found the same thing in Spain. By using the data of companies listed on the Spanish stock exchange. Giner and Pardo (2018) found no value relevance in the application of IFRS 16.

The value relevance of accounting information has been studied from many perspectives. Miller and Modigliani's (1966) study were one of the first studies to investigate the relationship between accounting numbers and other financial parameters. Miller and Modigliani (1966) investigated the value of equity involving the cost of capital in the electricity industry. Ball and Brown (1968) presented a relationship between stock returns and earnings (Suadiye, 2012). Ohlson (1991) states that Ball-Brown's (1968) article has had a profound influence on modern empirical accounting research which has led to an informational perspective on accounting data. Ball and Brown (1968) relate accounting income to stock prices. Apart from Ball and Brown (1968), several researchers have examined the relationship between stock prices or returns and accounting information. Ohlson's (1995) model relates a company's market value to accounting data (profit, book value, and dividends). This model has been tested by many studies in many countries.

3 Methodology

3.1 Types and Source of Data

This research is deductive quantitative research. Research proposes hypotheses that are tested with empirical data to draw conclusions whether the hypothesis can be proven or not. The data used in this study is secondary data taken from the 2019 and 2020 annual financial reports of companies listed on the Indonesia Stock Exchange. The data is downloaded from www.idx.co.id. In addition to the annual financial report data, the researcher also downloaded data on the sample company's stock prices on the date of issuance of the financial statements. Furthermore, there is a comparison of data to analyze changes before and after the implementation of PSAK 73.

The population in this study are all companies listed on the IDX until early 2021 (at the time the 2020 financial statements are published). The sample used in this study is a company in the sector category that has a high rental intensity, namely: infrastructure, trade, and real estate. The sampling technique uses purposive sampling, namely the sample is not taken randomly with

certain criteria. The criteria that used in sampling are the company that are; still registered, not delisted, or suspended during the 2019 and 2020 observation periods; has annual financial reports in 2019 and 2020; has leased assets, and; implemented PSAK 73 starting January 1, 2020.

3.2 Data Analysis Method

The research was conducted within the framework of the theory of information asymmetry. Accounting standards are specifically aimed at dealing with information asymmetry in the relationship between the two parties (agency problem) (Jensen & Meckling, 1976), namely the misalignment of information and interests for both parties. From several previous studies, information was obtained that the application of a uniform set of accounting standards, such as IFRS, can reduce information asymmetry and improve accounting quality (Muller III et al., 2011). Thus, the application of a standard will have relevant value in decision making. Value relevance is defined as the ability of the information presented by the financial statements to present the real value of the company. Value relevance can be measured by the statistical relationship between the information presented in the current financial statements and the value or return on the stock market (Suadiye, 2012). Although the concept is not new, the term "value relevance" is used by Amir et al. for the first time in 1993 in related literature (Suadiye, 2012).

Based on the critical thinking, there are 3 (three) hypotheses in this research, (1) after the adoption of PSAK 73, financial ratios changed significantly; (2) the relevance of the book value of equity increased after the adoption of PSAK 73; (3) the relevance of the value of net income increased after the implementation of PSAK 73. The research model used to test hypotheses 2 and 3 is the Ohlson model as follows:

$Pit = b0 + b1BVit + b2NIit + \varepsilon it$

This model is used to test whether the sample used in this study has a value relevance to the book value of equity and net income. This model can then be developed as an advanced model to relate company value to the book value of equity, net income, and other relevant information from financial reports. To test the relevant value of applying PSAK 73, the model is developed into the following model:

$Pit = b0 + b1LEASEit + b2BVit + b3NIit + b4BVit * LEASEit + \varepsilon it$

$Pit = c0 + c1LEASEit + c2BVit + c3NIit + c4NIit * LEASEit + \varepsilon it$

To test the research hypothesis, statistical testing is needed. The difference test is used to conclude whether there are significant differences between the two samples, for example conditions before and after a treatment, or conditions before and after an event. In this study, hypothesis 1 must be proven by a different test of financial ratios that are thought to be affected by the implementation of PSAK 73. The different test is a test carried out by comparing the average difference between two paired groups, namely data originating from the same sample, before and after the enactment of PSAK 73.

The results of the normality test are used to determine the hypothesis testing to be performed, whether by parametric statistical tests or non-parametric statistical tests. Testing hypothesis 1 in this study was carried out by using the Paired Sample T-Test (paired sample test) if the data is normally distributed. If the assumption of normality is not met, the non-parametric statistical test Wilcoxon Signed Rank Test is used which is provided in the SPSS application.

To draw conclusions from hypothesis 1, the guidelines for the Paired Sample T test and the Wilcoxon Signed Rank Test use the same criteria, namely by looking at the significance of the results <0.05 (2-tailed). If the Sig value <0.05 then hypothesis 1 is accepted, otherwise H1 is rejected. H1 will be broken down into several hypotheses because a different test is needed on the ratios that are expected to be affected by the implementation of PSAK 73. Otherwise, for testing hypotheses 2 and 3, a regression test was carried out with the basic Ohlson model and was developed with the variable to be tested, namely adding the LEASE variable as a moderator of the relationship between stock prices and book value of equity and earnings per share.

4 Results and Discussion

The results and discussion section should provide details of all findings that are required to support the conclusions of the paper. The discussion should be concise and tightly argued.

4.1 Test Results

The descriptive statistics of this study are presented in table 1 below:

Table 1. Descriptive Statistics Test of Difference

	N	Range	Min	Max	Mean		Std. Deviation	Variance
	Stat	Stat	Stat	Stat	Stat	Std. Error	Stati	Stat
Curent Ratio_pre	213	612.42485	.00045	612.42530	6.9424732	2.98987979	43.635858	1904.088
Curent Ratio_post	212	410.24144	.00000	410.24144	6.8586638	2.44525774	35.603490	1267.609
Debt Ratio_pre	213	1331.9832	.00230	1331.98558	7.1457868	6.26374450	91.416341	8356.947
Debt Ratio_post	213	3461.9776	.00000	3461.97765	17.2026852	16.25301199	237.20490	56266.165
DER_pre	213	55.02738	-19.56179	35.46560	1.3023382	.23597658	3.443964	11.861
DER_post	213	2634.4872	-14.39175	2620.09545	14.0221806	12.29815234	179.48562	32215.089
Operating Capability_pre	213	5.44673	-4.79870	.64803	-.0289814	.03147192	.45931758	.211
Operating Capability_post	213	33.83412	-33.10992	.72420	-.1966862	.15713625	2.2933280	5.259
Interest_pre	213	1.08539	-.00040	1.08499	.0841718	.00992229	.14481100	.021

	N							
Interest_post	213	22.63281	.00000	22.63281	.2752513	.10931905	1.5954590	2.545
Depreciation_pre	213	9.54175	.00000	9.54175	.1301362	.04626568	.67522541	.456
Depretiation_post	213	1.79922	.00000	1.79922	.1050688	.01570745	.22924274	.053
Valid N (listwise)	212							

Derived from descriptive statistics above, when compared before and after the implementation of PSAK 73, it can be seen that changes in the ratios that are likely to be affected by the implementation of PSAK 73 have changed quite a lot. Descriptively, the current ratio has decreased both in the min, max, average and deviation values. This is reasonable because there is a possibility that asset leases which were previously recognized as short-term prepayments, will change into usufructuary assets under PSAK 73. Other ratios tend to increase when compared to before and after the implementation of PSAK 73, because with the implementation of PSAK 73 the value of total assets and total liabilities has increased. Likewise with the interest expense. Interest expense will increase due to recognition of lease liability under PSAK 73.

The normality test results for the research data to be tested with a different test procedure were carried out with the Kolmogorov Smirnov normality test with the results as shown in Table 2:

Table 2. Test of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Curent Ratio_pre	.437	212	.000	.105	212	.000
Curent Ratio_post	.424	212	.000	.144	212	.000
Debt Ratio_pre	.506	213	.000	.048	213	.000
Debt Ratio_post	.506	213	.000	.044	213	.000
DER_pre	.320	213	.000	.440	213	.000
DER_post	.484	213	.000	.049	213	.000
Operating Capability_pre	.379	213	.000	.241	213	.000
Operating Capability_post	.433	213	.000	.077	213	.000
Interest_pre	.280	213	.000	.579	213	.000
Interest_post	.432	213	.000	.123	213	.000
Depreciation_pre	.424	213	.000	.136	213	.000

Depretiation_post	.323	213	.000	.469	213	.000

Note: Data are processed by researchers

In the tests carried out on all sample data, namely the value of the ratio (variable) before and after the application of PSAK 73. The test results showed that there were no variable data that were normally distributed. This also happened in previous studies using data on company assets and liabilities, Fülbier et al, 2008; Morales-Díaz & Ramírez-Zamora 2018, Spånberger & Rista, 2020).

Multicollinearity test was conducted to see whether there is a strong correlation between the independent variables. This study uses the criteria for the occurrence of multicollinearity if the VIF value is > 10 and the tolerance is <0.1. From the test results in table 3, known that the VIF value of the two independent variables shows 13.773 more than 10, while the tolerance value shows the number 0.073 so that it can be concluded that there is multicollinearity in the regression equation.

Table 3. Multicollinearity Test

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	BV Equity	.073	13.773
	EPS	.073	13.773

a. Dependent Variable: Stock Price

Note: Data are processed by researchers

The heteroscedasticity test was carried out to ensure the occurrence of variance dissimilarity from the regression equation residuals with the Spearman test. The criteria used in this Spearman test is if the significance of the test results is> 0.05, then it is concluded that there is no heteroscedasticity. From Table 4 below it is known that the significance of the Spearman test is <0.05 so it is concluded that there is heteroscedasticity.

Table 4. Heteroscedasticity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	13.259	.091		144.906	.000
	BV Equity	.000	.000	.935	5.303	.000
	EPS	-.001	.000	-.761	-4.317	.000

a. Dependent Variable: LN_RES

Note: Data are processed by researchers

Autocorrelation occurs when there is a correlation between variables over time. This happens if the data used in the research is time series data. Although in this study only used 2-year series data, the researchers conducted an autocorrelation test. As seen on table 5 below, the autocorrelation test results, show a significance of >0.05, it can be concluded that there is no autocorrelation for each independent variable.

Table 5. Autocorrelation Test

Runs Test

	Unstandardized Residual
Test Value[a]	-765.79743
Cases < Test Value	204
Cases >= Test Value	205
Total Cases	409
Number of Runs	217
Z	1.139
Asymp. Sig. (2-tailed)	.255

a. Median

Note: Data are processed by researchers

From the test results above, it is known that in this regression equation there are 3 assumptions that are not fulfilled, namely normality, homoscedasticity, and collinearity. Therefore, it is necessary to treat the research data so that this assumption problem does not bias the research results. The treatment carried out in this study is as follows:

a. Removing samples that have outlier data, including removing samples that have a negative equity balance (debit balance).

b. Perform data transformation by converting all dependent and independent variables into natural logs (LN) so that the pattern of relationships between variables remains the same as the original data.

After treatment was carried out to overcome the classical assumption test problem, the results of the normality test with the Kolmogorov Smirbnov test still did not meet the requirements so the authors decided to use another measurement, namely by using the normality testing procedure with Monte Carlo. This Monte Carlo test can be done for regression equations with extreme data. With the Monte Carlo test, the results of the data treatment produce normal residuals with a significance of >0.096. In addition, the data used in this study are more than 100 observations, so assuming the Central Limit Theorem, normality can be assumed.

After the data normality test was carried out, there were no variables that met the data normality assumptions, so the authors carried out the Wilcoxon Signed Ranked Test Non-Prametric Difference Test procedure. The decision-making guidelines for the Wilcoxon procedure are the same as the Paired Sample T Test, namely by looking at the significance of the results. If the

sig value <0.05, it can be concluded that the hypothesis proposed in the study is supported. The results of the Wilcoxon Signed Ranked Test for the selected ratios in this study are presented in Table 6, as below:

Table 6. Wilcoxon Signed Ranked Test

Ranks

		N	Mean Rank	Sum of Ranks	Z	Sign
Curent Ratio_post - Curent Ratio_pre	Negative Ranks	131[a]	104.39	13675.00	-2.668[b]	.008
	Positive Ranks	81[b]	109.91	8903.00	Based on positive ranks	
	Ties	0[c]				
Debt Ratio_post - Debt Ratio_pre	Negative Ranks	86[a]	95.51	8214.00	-3.533[b]	.000
	Positive Ranks	127[b]	114.78	14577.00	Based on negative ranks	
	Ties	0[c]				
DER_post - DER_pre	Negative Ranks	90[a]	92.09	8288.00	-3.451[b]	.001
	Positive Ranks	123[b]	117.91	14503.00	Based on negative ranks	
	Ties	0[c]				
Operating Capability_post - Operating Capability_pre	Negative Ranks	153[a]	111.41	17046.00	-6.275[b]	.000
	Positive Ranks	60[b]	95.75	5745.00	Based on positive ranks	
	Ties	0[c]				
Interest_post - Interest_pre	Negative Ranks	58[a]	86.18	4998.50	-6.537[b]	.000
	Positive Ranks	147[b]	109.64	16116.50	Based on negative ranks	
	Ties	8[c]				
Depretiation_post - Depreciation_pre	Negative Ranks	73[a]	108.56	7925.00	-3.762[b]	.000
	Positive Ranks	139[b]	105.42	14653.00	Based on negative ranks	
	Ties	1[c]				

a. post < pre

b. post > pre

c. post = pre

Note: Data are processed by researchers

Negative Ranks in the table show that the number of samples whose values after implementation are smaller than the values before implementation, or there is a decrease in value. Positive Ranks show that on the contrary the number of samples with values after the application of PSAK 73 is greater than the values before implementation or there is a decrease in the ratio. Ties show no different values before and after the implementation of PSAK 73. The results table also shows that the difference in the ratios before and after the implementation of PSAK 73 shows significant results.

Thus, H1 which states that there are differences in financial ratios after the implementation of PSAK 73 is supported. If detailed, the conclusions from this different test can be interpreted as follows:

a. There was a decrease in the current ratio with the application of PSAK 73

b. There was an increase in the debt ratio after the implementation of PSAK 73

c. There was an increase in DER after the implementation of PSAK 73

d. There was a decrease in the operating capability ratio after the implementation of PSAK 73

e. There was an increase in the ratio of interest expense to income after the implementation of PSAK 73

f. There was an increase in the ratio of depreciation expense to income after the implementation of PSAK 73

4.2 The Effect of Applying PSAK 73 on the Company's Financial Ratios and The Value Relevance of PSAK 73

The results of hypothesis testing show evidence that all the ratios studied in this study, namely the current ratio, debt ratio, debt to equity ratio, operating capability ratio, interest ratio and depreciation ratio, have significantly changed when compared before and after the implementation of PSAK 73.

The current ratio which is calculated from the total current assets divided by short-term liabilities in this study shows that the median has decreased. This may be due to changes in PSAK 73, the current assets from the recognition of prepaid leases are reduced, while the value of short-term liabilities from the long-term lease liabilities section is likely to increase, although the effect per company may be different. From the results of the Wilcoxon sign rank, the number of samples whose current ratio values after the implementation of PSAK 73 has decreased is greater than the samples which experienced an increase in the current ratio. This result is different from the results obtained from Wang's research (2020) which concluded that the current ratio has increased on average after the implementation of IFRS 73.

In the results of the different test on the debt ratio, it is known that the sample that experienced an increase in the debt ratio after the implementation of PSAK 73 was in fact more than the sample that experienced a decrease in the debt ratio. With the adoption of PSAK 73 in 2020, the company recognizes usufructuary assets and recognizes lease liabilities from previous lease contracts, so there is a high probability that the total assets will increase. This was also found in other studies (Wang, 2020).

Likewise with DER, the operating capability ratio as measured by asset turnover, interest ratio and depreciation expense ratio, in this study concluded that there were significant differences

before and after the implementation of PSAK 73. This is due to the application of PSAK 73 companies must recognize the existence of usufructuary assets on assets benefited from leases and at the same time recognize the existence of long-term lease liabilities due to contracts containing lease transactions.

In Wang's research (2020) asset turnover has decreased significantly. The results of this study support Wang's research even though it uses a different test. This is because the company recognizes a greater value of assets to generate profit which may or may not change significantly from before the implementation of PSAK 73. The application of PSAK 73 will also further increase the value of interest expenses and depreciation expenses so that the total net profit of the company is likely to decrease. Even in Taiwan, this does not only happen to companies that have large rental assets, companies that are not sensitive to rent also show a decrease in their operational capability ratio (asset turnover).

The results of Ohlson's regression to find out the relevance of book value per share and earnings per share show that in the sample used in this study only book value per share has value relevance, meaning that book value per share is considered relevant information for investors to make decisions on the investment, while the value of earnings per share does not prove the existence of a significant value on the value relevance.

The application of PSAK 73 is expected to increase the relevance of the value of financial statement information so that it is suspected that the interaction value between the Lease variable which is a dummy variable to distinguish before and after the application of PSAK 73 shows a significant value, but in fact this research cannot prove that the application of PSAK 73 has value relevance because in both Model 2 and Model 3, the lease interaction variable and the book value of equity per share and earnings per share show a sig value > 0.05.

In the research sample, stock prices in 2020 (when PSAK 73 began to be implemented) generally experienced a decline, some even experienced a very significant decline. This is because Indonesia is experiencing the Covid 19 pandemic which caused almost all economic activity to experience a slowdown which resulted in the capital market also becoming sluggish.

The results of this study are in line with the results of Wang's research (2020) which found that in annual data, ISAK 16 does not increase the relevance of BV per share and NI per share values. However, Wang found that in interim reporting, the application of IFRS 16 to companies in Taiwan has value relevance. This is presumably due to investor reaction to the company's financial performance due to changes in accounting standards regarding leases that occurred in the middle of the year of the implementation of IFRS 16 in Taiwan (2019).

Similar research was conducted by Petterson and Brusewitz (2020) in Sweden. This study tested the relevance value of IFRS 16 implementation using 3-month interim reports. The model used in this study includes variables that are estimated to have a relevance value and then the relevance value is compared before and after the application of IFRS 73. The results of the study show an increase in R2 of around 1.6% when compared to before and after the application of IFRS 16. Changes in R2 are used in this research because in the Ohlson model, the overall explanatory power of the model is an indication of the strength of the value relevance of the variables used in the study. The variables used in the Petterson and Brusewizt (2020) research model are book value of equity, profit before tax, company size, and leverage.

Regarding research results that cannot prove the value relevance of the application of PSAK 73, the authors suspect that it was caused by the conditions at the beginning of 2020 when Indonesia

was declared to be experiencing a Covid 19 pandemic. This caused financial report data to have no value relevance and become a consideration for making investment decisions, however This assumption is refuted because Jonatan et al (2021)'s research using 2017 and 2018 data to represent prior to the implementation of PSAK 73 also concluded that PSAK 73 has no value relevance.

5 Conclusion

PSAK 73 Leases are enforced in Indonesia, which replaces several accounting standards and interpretations of accounting standards related to leases that were previously effective as of January 1, 2020. This change is expected to reduce information asymmetry regarding leases and improve the quality of financial statement information related to leases. Under PSAK 73, lessees must recognize the right of use over the leased assets and at the same time recognize long-term lease liabilities, except for leases with small underlying assets and short-term leases. Furthermore, the company must also recognize interest expenses on lease liabilities and depreciation expenses on usufructuary assets.

The effect of applying PSAK 73 needs to be tested. This study aims to examine whether there are significant changes in some of the company's financial ratios before and after the implementation of PSAK 73 and to test whether the application of PSAK 73 has value relevance.

The results showed that the financial ratios selected in this study, namely the current ratio, debt ratio, debt to equity ratio, asset turnover, interest ratio and depreciation ratio all proved to be significantly changed, but research could not prove that the application of PSAK 73 had good value relevance. when using the book value of equity per share and earnings per share as independent variables.

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