How do accounting records affect corporate financial performance? Empirical evidence from the Indonesian public listed companies

Publons ID	(not set)
Wos ID	WOS:000996752500001
Doi	10.1016/j.heliyon.2023.e14950
Title	How do accounting records affect corporate financial performance? Empirical evidence from the Indonesian public listed companies
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Publish Date	APR 2023
Journal Name	HELIYON
Citation	1
Abstract	Previous studies demonstrate that accounting choices could, directly and indirectly, affect firm performance. We investigate whether accounting choices and financial ratios could affect firm performance. We extend the financial ratio variables by adding accounting choice and interaction variables. Based on the panel random effect regression analysis of 100 Indonesian public listed firms, we report that activity ratio, leverage, and depreciation method choice tend to be associated with firm profitability. We conclude that higher assets and leverage tend to be associated with higher efficiency and fewer monitoring costs. However, there is a difference in direction between equity and asset for the leverage variable. This may be explained by the existence of premiums (or discounts) in the equity component, but not in the asset component.
Publish Type	Journal
Publish Year	2023
Page Begin	(not set)
Page End	(not set)
Issn	
Eissn	2405-8440
Url	https://www.webofscience.com/wos/woscc/full-record/WOS:000996752500001
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