DETERMINANTS OF ACCOUNTING INFORMATION QUALITY AND ITS IMPACT ON STOCK PORTFOLIO PERFORMANCE USING JENSEN METHOD

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ABSTRACT

Measuring portfolio performance can not be seen only from return but there are other aspects that must be seen as total corporate social responsibility funds to be incurred as well as the level of liquidity. Company owners of WAI listed on Indonesia Stock Exchange period 2012-2016 is the sample in this study. Data analysis technique used is multiple linear regression analysis. The result of this study show a significant influence between liquidity quality and accounting information on stock portfolio performance but there is also a negative effect that is the influence of corporate social responsibility on the quality of accounting information.

Keywords: Jensen Index, corporate social responsibility, quality of accounting information and stock portfolio performance

INTRODUCTION

A number of public companies made brilliant achievements and were able to provide abundant wealth to their investors. Some of them are even newcomers to the SWA100 ranks. This year PT. HM Sampoerna still maintains its position in the first place with a Wealth Added Index (WAI) of Rp. 160.4 billion. The second rating was PT Telekomunikasi Indonesia, which had a Wealth Added Index (WAI) in the previous year of Rp. 2.97 billion and this year it jumped spectacularly to Rp. 92.54 billion. Besides Telkom, there are several other issuers whose WAI has increased significantly. The Wealth Added Index (WAI) here is a measure to see the performance of public companies applied by SWA in collaboration with the Stern Stewart & Co. since 10 years ago it has seen the extent to which companies are able to create wealth for shareholders above the risk or cost of capital.

Table 1. the ranks of Indonesia's Best Wealth Creators 2017 were presented in SWA100 Magazine

<table>
<thead>
<tr>
<th>Rating</th>
<th>Issuer Code</th>
<th>Company Name</th>
<th>WAI 2012-2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAR &amp; COMPONENTS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>ASII</td>
<td>Astra International Tbk.</td>
<td>-116.083.824</td>
</tr>
<tr>
<td>REAL ESTATE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>PLIN</td>
<td>Plaza Indonesia Realty Tbk.</td>
<td>7.837.296</td>
</tr>
<tr>
<td>FOOD, BEVERAGE &amp; CIGARETTES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>HMSP</td>
<td>HM Sampoerna Tbk.</td>
<td>160.413.318</td>
</tr>
<tr>
<td>2</td>
<td>ICBP</td>
<td>Indofood CBP Sukses Makmur Tbk.</td>
<td>48.078.540</td>
</tr>
<tr>
<td>3</td>
<td>MLBI</td>
<td>Multi Bintang Indonesia Tbk.</td>
<td>13.225.019</td>
</tr>
</tbody>
</table>

Investments can be made by individuals or business entities that have excess funds. Investments can be made in the money and capital markets or placed as loans to people in need (Soliha dan Taswan, 2002). Investment analysis often faces problems, namely about assessing the risks faced by investors. If the investment risk increases, the level of profit required by investors is getting bigger. To reduce investment losses / risks, investors can invest in various types of stocks by forming a portfolio.

Portfolios can be interpreted as investments in various financial instruments that can be traded on the Stock Exchange and Money Market with the aim of spreading the source of the return and possible risk. The said financial instruments include stocks, bonds, foreign exchange, deposits, stock price indices, other derivative products. There are 3 parameters that can be used to measure portfolio performance developed by William Sharpe, Michael Jensen and Jack Treynor. These three performance measurements are called Sharpe performance measures, Jensen's performance and Treynor's performance. The third performance measurement assumes a linear relationship between portfolio returns and returns from several market indices. The three models base their analysis on past returns to predict risks and future returns.

The accounting environment is very complex because accounting products are information, a strong and important commodity (Soetedjo, 2010). One source of information is financial statements. According to Chen (2011), there are several mechanisms in which financial reporting can reduce the problems of under and over investment. First, accounting information can help investment efficiency by reducing risk of loss, liquidity risk and information. Second, disclosure of financing information helps the company's control mechanism in preventing managers from taking over welfare from investors to reduce the problems of...
under and over investment. Accounting information quality, governance efficiency and capital investment choice explain that the measurement of accounting information quality consists of 5 indicators, namely Accrual Quality, Persistence Earnings, Earnings Predictability, Earnings Smoothing and Comprehensive Index of Accounting Information Quality.

Information that is of interest to investors is usually related to profits or profits and stock prices because it describes the value of the company. Other information besides profit that can be used for investors as a basis for making decisions, namely disclosures - disclosures of Corporate Social Responsibility (CSR).

The implications of CSR in Indonesia are regulated in article 74 paragraph 1 of Act Number 40 of 2007 concerning Limited Liability Companies, stating that "Companies that carry out their business activities in and / or related to natural resources must carry out social and environmental responsibilities". In Article 15 of Act Number 25 of 2007 concerning Investment also regulates CSR states that "Every investment is obliged to carry out corporate social responsibility". Disclosure of CSR information in the company's annual report is expected to provide additional information to investors and can be considered for investors in decision making.

Many reasons for companies in disclosing CSR information have been investigated in previous studies, including due to compliance with existing regulations, to gain competitive advantage through the implementation of CSR, to fulfill loan contract terms and meet public expectations, to legitimize company actions, and to attract investors (Basamalah et al) 2005. The quality of financial statements is expected to increase with the disclosure of CSR information as additional information. Quality financial statements present figures that have the power of accounting information that is useful for investors for investment decision making, credit or other similar decisions.

The research question for this study are first, what is the effect of liquidity on stock portfolio performance? Second, how does CSR affect the stock portfolio performance? Third, what is the influence of liquidity on the quality of accounting Information? Fourth, what is the effect of CSR on the quality of accounting information? Fifth, how does the quality of accounting information affect stock portfolio performance? Sixth, how is the relationship between liquidity in the quality of accounting information to stock portfolio performance? Finally, what is the relationship of CSR in the quality of accounting information to stock portfolio performance?

LITERATURE REVIEW AND HYPOTHESIS

Jensen index is one measure of portfolio performance. The Jensen ALPHA formula is as follows (Manurung, 2000)

\[ \text{ap} = \text{Rp} - [\text{Rf} + \text{bp} (\text{Rm} - \text{Rf})] \]

The higher the positive ap, the better the performance of the portfolio. Jensen ALPHA can be calculated in another way, namely by simplifying the above equation into the equation below:

\[ \text{Rp-Rf} = \text{ap} + \text{bp} (\text{Rm}-\text{Rf}) \]

The equation above shows, portfolio premium risk is influenced by the risk of premium markets. The values a and b in the above equation are estimated according to the model known as regression. Therefore the original data of the time series from the portfolio, market returns and risk free interest rates must be available. The highest and most significant value of a is the best portfolio of existing portfolios.

Portfolios are defined as a series of combinations of assets invested and held by investors, both individuals and institutions. The combination of these assets can be real assets, financial assets or both. An investor who invests funds in the capital market usually does not only choose one share. The reason is to do a combination of shares, investors can achieve optimal returns while minimizing risk through diversification.

One method that is often done in measuring portfolio performance is to compare returns from an investment with the risks contained therein. In general, investors will choose a portfolio that provides a higher return if the level of risk offered is the same and you should choose a portfolio that provides a lower level of risk if the return offered is the same. Risk differences can have implications for the performance of a portfolio so that measurement of the portfolio will include several measurement methods.

According to Munawir (2005) the most common ratio used to analyze the liquidity ratio of a company is the Current Ratio (CR), which is a comparison between the amount of current assets and current debt. This ratio shows that the value of current assets that can immediately be made into money are many times short-term debt. Empirically CR is able to increase stock returns, meaning that the more liquid the company is able to signal to investors to take action in buying or selling transactions (Yuliantri & Sujana, 2014; Ulupui, 2010). Investors in the capital market mean that the high CR of the company going public does not experience obstacles in short-term obligations so that the information obtained is good if the investment in a company that has a high CR. For issuers in the Capital Market, published information is the prospect of investment decisions made by investors. Based on the description above, the first hypothesis formulation of the effect of CR on stock returns is Current Ratio (CR) has a significant effect on stock returns.

The main goal of the company is to increase the value of the company. The value of the company will be guaranteed to grow sustainably if the company pays attention to economic, social and environmental dimensions because sustainability is a balance between economic, environmental and community interests. These dimensions are contained in the implementation of CSR by the company as a form of accountability and concern for the environment around the company. (Haniffa et al, 2005), if there is
an inconsistency between the company's value system and the community value system, the company will lose its legitimacy and will further threaten the survival of the company. Legitimacy is considered important for companies because the legitimacy of the community to the company is a strategic factor for the company's future development. If the company has poor environmental and social performance, there will be doubts from investors, so that it responds negatively through a decrease in stock prices (Almilia and Wijayanto, 2007). Rustiarini (2010) states that companies will disclose information if the information can increase the value of the company. From the results of these empirical studies, the second hypothesis that can be stated is disclosure of CSR has a positive effect on firm value.

Liquidity is related to the company's ability to pay its short-term debts. The higher the liquidity of a company the higher the quality of its financial reporting information, the third hypothesis that can be stated is it is assumed that there is a positive and significant influence between Liquidity on the Quality of Accounting Information.

The research of Hong and Andersen (2011) entitled "The Relationship Between Corporation Social Responsibility and Earning Management: An Exploratory Study" conducted on companies other than in the field of financial institutions in the United States from 1995 to 2005. The results of this study are companies that contribute CSR are negatively related to earning management. Low earning management shows high earnings quality and this shows that CSR companies tend to reduce or avoid earnings management practices, so the fourth hypothesis that can be raised is CSR has a negative effect on earnings management.

Bittner and Dolan (1996) research which states that companies with high accruals show low-quality corporate profits, and otherwise, Sloan (1996) which states that companies with reported earnings are greater than operating cash flow (high accruals), will has decreased in the performance of earnings in the next period, then the fifth hypothesis that can be stated is Quality of earnings will affect market response to company profits.

Social Responsibility Corporation Funds in a financial report can have a good impact and a good view from investors, although it does not have a major effect on the formation of a company's portfolio. Then the seventh hypothesis that can be stated is Social responsibility corporation disclosure in information quality disclosure has a positive effect even though it is not so significant for the results of a company's portfolio.

Jensen uses beta factors in measuring investment performance of a portfolio based on the development of CAPM. The strength of this method is described as the intersection of linear regression lines on the y axis and is called the Jensen intersection with Alpha notation (a). The higher the positive alpha value, the better the performance (Kodrat dan Indonanjaya, 2010). Where Jensen uses the CAMP formula which is stated as follows

\[ ap = Rp - [Rf + bp(Rm - Rf)] \]

**METHODOLOGY**

In this study the data used is secondary data with the type of data used is quantitative data obtained through intermediary media, namely from SWA magazine with the category of companies that have the highest Wealth Added Index (WAI) found on the Indonesia Stock Exchange (IDX) in the period 2012 to 2016. Data sources obtained from SWA 100 Megazines, Price of closing price of shares from the Indonesia Stock Exchange, Bank Indonesia data rate dan 12 company's annual report.

Population can be interpreted as a whole element of concern in a study. The population in this study were 100 companies that had the largest WAI in the period 2012 to 2016 which were recorded in SWA 100 magazine at Indonesia's Best Wealth Creators 2017. In this study sampling is done using purposive sampling, which is sampling based on certain criteria that have been predetermined. From the sampling, there were 12 companies that fulfilled the criteria in a 5-year period engaged in various industrial sectors besides banking, insurance, media and capital goods.

The variables in this study will be tested using SPSS Version 21 with multiple linear regression models to determine the effect of independent variables on the dependent variable, whether the effect is significant or not by testing hypotheses namely multiple linear regression and coefficient of determination (R2).

**Result**

Regression tests are used primarily for forecasting purposes, where in the model there is a dependent variable (dependent) and independent variable (free). Based on data processing through the SPSS program produces output data as below:
Table 2. Multiple Linear Regression Test Results (model 1)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>-.003</td>
<td>.012</td>
<td>-.207</td>
</tr>
<tr>
<td></td>
<td>CR</td>
<td>.016</td>
<td>.005</td>
<td>.365</td>
</tr>
<tr>
<td></td>
<td>CSR</td>
<td>.324</td>
<td>.047</td>
<td>.403</td>
</tr>
</tbody>
</table>

The results of the statistical tests above show that Regression (model 1), namely variables X1 and X2 have a significant effect on Y. From the results of multiple linear regression equations (model 1), it can be seen that:

a. The regression coefficient of Current Ratio (X1) is 0.005 with a value of 2.938 t (greater than 1.983) or a significance value of 0.005 (smaller than 0.050) which means that the variable Current Ratio (X1) has a significant effect on the stock portfolio (Y) at the error level 5%.

b. The regression coefficient of Corporate Social Responsibility (X2) is 0.047 with a value of t 4.045 (greater than 1.983) or a significance value of 0.000 (smaller than 0.050) which means that the Corporate Social Responsibility (X2) variable has a significant effect on stock portfolio (Y) in error rate of 5%.

The results of the statistical tests above show that Regression (model 2) has a significant and insignificant influence between variables X1, X2, Y to Z. The results of multiple linear regression equations (model 2) it can be seen that:

c. The regression coefficient of Current Ratio (X1) is 0.205 with a value of t count 1.992 (greater than 1.983) or a significance value of 0.049 (smaller than 0.050) which means that the variable Current Ratio (X1) has a significant effect on the Quality of Accounting Information (Z) at the level 5% error.

d. The regression coefficient of Corporate Social Responsibility (X2) is 5.024 with a value of t count 0.662 (smaller than 1.983) or a significance value of 0.511 (greater than 0.050) which means that the Corporate Social Responsibility (X2) variable has no significant effect on Accounting Information Quality (Z ) at the error level of 5%.

e. The stock portfolio regression coefficient (Y) is 4.651 with a value of 4.040 t (greater than 1.983) or a significance value of 0.000 (smaller than 0.050) which means that the Stock Portfolio variable (Y) has a significant effect on the Quality of Accounting Information (Z) at the level 5% error.

Table 3. Multiple Linear Regression Test Result (model 2)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.114</td>
<td>.431</td>
<td>.266</td>
</tr>
<tr>
<td></td>
<td>CR</td>
<td>.405</td>
<td>.205</td>
<td>.230</td>
</tr>
<tr>
<td></td>
<td>CSR</td>
<td>3.324</td>
<td>5.024</td>
<td>.073</td>
</tr>
<tr>
<td></td>
<td>PORTOFOLIO</td>
<td>18.789</td>
<td>4.651</td>
<td>.468</td>
</tr>
<tr>
<td></td>
<td>SAHAM</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The coefficient of determination (R2) essentially measures how far the model's ability to explain the variation of the dependent variable and the remainder is explained by other variables not examined.

Table 4. Model Summary (model 1)

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.372</td>
<td>.138</td>
<td>.108</td>
<td>.04735</td>
</tr>
</tbody>
</table>

Based on the SPSS output, the summary model shows that the amount of R2 is 0.138 which means 13.8%, this shows that the effect of X1 and X2 on Y is 13.8% while the remaining 86.2% is a contribution from other variables not included in the study. Meanwhile the value of e1 is 0.862, thus the path diagram of structure 1 model is obtained as follows:

Table 5. Model Summary (model 2)

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.594</td>
<td>.353</td>
<td>.318</td>
<td>1.66260</td>
</tr>
</tbody>
</table>


Based on the SPSS output summary model (model 2) it is known that $R^2$ is 0.353 which means 35.3%, this shows that the effect of $X_1$, $X_2$ and $Z$ on $Y$ is 35.3% while the remaining 64.7% is a contribution from other variables not included in the study. Meanwhile the value of $e_2$ is 0.477, so that the structure diagram of model 2 is obtained as shown in diagram 2.

Analysis of the test results of the Model Summary (models 1 and 2), namely

- It is known that the direct effect given by $X_1$ to $Y$ is 0.365 while the indirect effect given by $X_1$ through $Z$ to $Y$ is the multiplication of the value of $\beta_{X_1Z}$ with $\beta_{ZY}$ which is $0.230 \times 0.468 = 0.108$. Based on the results of the above calculation it is known that the direct effect value is 0.230 and the indirect effect is 0.108 which means that the value of direct influence is greater than the value of this indirect influence indicating that directly $X_1$ through $Z$ has a significant effect on $Y$.

- It is known that the direct effect given by $X_2$ to $Y$ is 0.403 while the indirect effect given by $X_2$ through $Z$ to $Y$ is the multiplication of the value of $\beta_{X_2Z}$ with $\beta_{ZY}$ value of $0.073 \times 0.468 = 0.034$. Then the total effect given by $X_2$ on $Y$ is $0.073 + 0.034 = 0.107$. Based on the results of the above calculations it is known that the direct effect value is 0.073 and the indirect effect is 0.034 which means that the direct effect value is greater than the value of this indirect effect indicating that directly $X_2$ through $Z$ has a significant effect on $Y$.

**CONCLUSION**

The results has provide that, first, there is a significant influence between current ratio ($X_1$) on the stock portfolio ($Y$). Second, there is a significant influence between corporate social responsibility ($X_2$) on the stock portfolio ($Y$). Third, here is a significant influence between current ratio ($X_1$) on the quality of accounting information ($Z$). Fourth, there is no significant influence between corporate social responsibility ($X_2$) on the quality of accounting information ($Z$). Fifth, there is a significant influence between stock portfolio ($Y$) on accounting information quality ($Z$). Sixth, the value of direct influence is greater than the value of indirect influence indicating that directly $X_1$ through $Z$ has a significant effect on $Y$. Finally, the value of direct influence is greater than the value of indirect influence indicating that directly $X_2$ through $Z$ has a significant effect on $Y$. 

![Diagram 1. Model 1](image1)

![Diagram 2. Model 2](image2)
REFERENCES


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