

Fair Value Implementation of Financial Asset: Evidence in Indonesia's Banking Sector

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Abstract : The purpose of this study is to analyze and to give empirical proof about the effect of fair value implementation on financial asset against information asymmetry in Indonesia's banking sector. This research tested the effect of fair value implementation on financial asset based on Statement of Financial Accounting Standard (PSAK) No. 55 and the fair value reliability measurement based on PSAK No. 60 against level of information asymmetry. The scope of research is Indonesia's banking sector. The test's result shows that the use of fair value based on PSAK No. 55 is significantly associated with information asymmetry. This positive relation is higher than the amortized cost implementation on financial asset. In addition, the fair value hierarchy based on PSAK No. 60 is significantly associated with information asymmetry. This research proves that the more reliable measurement of fair value on financial asset, the more observable fair value measurement and reduces level of information asymmetry.

Keywords : fair value, PSAK No. 55, PSAK No. 60, information asymmetry, bank

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