Seventh Asia Pacific Interdisciplinary Research in Accounting Conference, Kobe 26-28 July, 2013

Paper#: K147

The Effect of Financial Performance Following Mergers and Acquisitions on Firm Value

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ABSTRACT

The objective of this research is to examine the effect of financial performance following mergers and acquisitions on the firm value. Financial performance is measured from the profitability performance, asset productivity performance, and leverage. Testing hypotheses are conducted using multiple regression models with observations from 120 sample companies listed in Indonesian Stock Exchange that did mergers and acquisitions during the year 2000-2011. The results provide empirical evidence that changes in profitability performance and changes in leverage between the end of fiscal year December 31 closest after and before mergers and acquisitions as well as leverage level and changes in leverage between the end of the book one year after December 31 and before mergers and acquisitions significantly influence the increase of the firm value. Nevertheless, changes of profitability performance, asset productivity performance, leverage level, asset productivity performance between the end of fiscal year December 31 closest after and before mergers and acquisitions and changes of profitability performance, asset productivity performance in profitability performance and changes in asset productivity performance between the end of fiscal year December 31 one year after and before merger and acquisition have no effect on the firm value.

Keywords: mergers and acquisitions, profitability, asset productivity, leverage, firm value.