Effect of Goodwill Value Toward Firm Value

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A R T I C L E   I N F O

ABSTRACT

This research aims to contribute to filling a significant gap by studying changes in the value of mining companies' goodwill, this study highlights the focus of research on companies that report positive goodwill values will then be considered to have high intellectual capital, so investors assume the company has better earning potential in the future. This research sample consists of mining companies listed on the Indonesia Stock Exchange in 2018-2020. The analysis techniques used linear regression analysis are simple. The results of simple linear r egression analysis in this study indicate that the value of goodwill has no effect on firm value.

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1.   INTRODUCTION

Financial reporting is a form of company management responsibility for managing the company over a certain period of time (Kusumawardhany et al., 2023). Financial reports are also the basis for decision making for both investors and company management in matters relating to the company's sustainability. Thus, financial reports are sometimes used as a benchmark in determining the value of a company (Meiyana & Aisyah, 2019).

Company operational activities often depend on the assets owned by the company, including management and management's understanding of tangible assets and intangible assets. According to Trisnajuna & Sisdyani (2015), if a company does not have good knowledge to manage tangible assets, no matter how large a company's ownership of tangible assets is, it will cause the company to be unable to develop. Accounting for intangible assets has been the subject of debate in many countries. The main problem that arises concerns the recognition of intangible assets as assets. If it is recognized as an asset, further debate arises regarding its measurement and the best accounting treatment that can show the company's resources and performance (Imaningati & Sari, 2018). Intangible assets have 8 types, including; patents, copyrights, trademarks, franchises, leasehold, and goodwill.

According to the Financial Accounting Standards Guide (PSAK) No. 22 paragraph 79, goodwill is recognized as the excess difference between the acquisition cost and the acquiring company's interest in the fair value of assets and liabilities that can be identified at the date of the exchange transaction. It is recognized as goodwill and presented as an asset. Investors understand that future cash flows are related to the value of goodwill reported in financial statements and they also really

assess and pay attention to the capitalization of goodwill above its book value when determining the company's market value (firm market value). It can be seen that goodwill is often used as a basis or basis for investors in assessing a company. Companies that report a positive goodwill value will be considered to have high intellectual capital, so that investors consider the company to have better income potential in the future.

It would be very interesting to carry out further research on investors' decisions by looking at the value of the company's goodwill in the financial statements to assess the company. This research will focus on finding the truth from an investor's perspective where investors consider the company to have better earnings potential in the future, if it reports goodwill with a positive value.

According to Fajar & Rahayu (2017), companies that report goodwill can be assumed to be a good signal by investors assuming that there is high intellectual capital so that it can be said that the company has better prospects in the future. Goodwill is an illustration of the high strength of a company's profit potential. Accurate information regarding goodwill is of course important because it can help investors in assessing a company (Syarifah & Wulandari, 2023).

Hypothesis: There is an influence of Goodwill on firm value.

2.   RESEARCH METHOD

Population and sample are research objects. Population includes a research object as a whole, while sample includes part of the population. The population is the entire group from which data will be taken. Meanwhile, the sample is a portion of the population that has the same characteristics as the population. The population in this research is all companies in the mining sector listed on the Indonesia Stock Exchange (BEI) in 2019-2021. The criteria for sampling companies in this research are as follows:

1. All mining companies listed on the Indonesia Stock Exchange in 2019-2021.
2. All mining companies that have published annual reports in 2019-2021.
3. All mining companies that have goodwill values in their annual reports for 2019-2021.
4. All mining companies that present financial reports in rupiah.

The data collection method in this research uses a purposive sampling method, with the criteria being that companies report goodwill values by visiting the IDX website via the official website of the Indonesia Stock Exchange at www.idx.co.id to get their financial reports and to find out about mining companies from 2018 to 2020 which reports the value of goodwill. Next, the data will be input into Ms. Excel.

The data analysis method that will be carried out in this research is to use a quantitative method with a simple linear regression analysis method. Simple linear regression analysis is an analytical tool used to measure the influence between the independent variable, namely Goodwill Value (X) and the dependent variable, namely firm value (Y).

3.   RESULTS AND DISCUSSIONS

The sample in this research is 7 companies in the mining sector listed on the Indonesia Stock Exchange (BEI) in 2019-2021 by taking data for 3 periods of company financial reports which include goodwill value (X) and firm value (Y). Sample data from the study is presented in Table 1 below.

Table 1. Sample Data

No.	Company name	Goodwill Value (X)			Firm Value (Y)		
		2019	2020	2021	2019	2020	2021
1	PT Bukit Asam Tbk.	102,077	102,077	102,077	12.48	21.74	6.59
2	PT Golden Eagle Energy Tbk.	1,315	1,315	1,315		502.30	14.71
3	PT Mitra Investindo Tbk.	347	159	39,689	2.91	44.58	26.74
4	PT Capitaline Investment Tbk.	53,143	53,143	53,143	131.58	(47.17)	(263.16)
5	PT Aneka Tambang Tbk.	68,336	68,336	68,336	309.80	52.30	32.30
6	PT Ifishdeco Tbk.	766	766	766	29.20	10.30	19.30
7	PT Kapuas Prima Coal Tbk	12,014	12,014	12,014	9.10	66.70	25.90

Source: secondary data processed, 2022

Simple Linear Regression Analysis

Based on sample data in this study, 2 variables are used, namely X and Y. These two variables have different values and are divided into 2 types, namely independent variables and dependent variables. In this research, goodwill value is considered an independent variable because it can influence the firm value variable as a dependent variable. After determining the type of variable, then look for the values of a and b to get the functional equation of linear regression. To make it easier to carry out calculations, researchers used linear equations as presented in table 2 below.

Table 2. Calculation of Linear Equations

No.	X	Y	XY	Y²	X²
1	306,231	40.81	12,497,287.11	1,665.46	93,777,425,361
2	3,945	517.01	2,039,604.45	267,299.34	15,563,025
3	40,195	74.23	2,983,674.85	5,510.09	1,615,638,025
4	159,429	(178.75)	(28,497,933.75)	31,951.56	25,417,606,041
5	205,008	394.40	80,855,155.20	155,551.36	42,028,280,064
6	2,298	58.80	135,122.40	3,457.44	5,280,804
7	36,042	101.70	3,665,471.40	10,342.89	1,299,025,764
∑	753,148	1,008.20	73,678,381.66	475,778.14	164,158,819,084

Source: secondary data processed, 2022

From the calculations in table 2, the calculated t value is -0.4817. The criteria for decision making in this research are as follows:

1.t count ≤ t table or -t count ≥ -t table, then H0 is accepted, which means the value of goodwill has no influence on firm value.

2.t count > t table or -t count < -t table, then H0 is rejected, which means the value of goodwill has an influence on firm value.

Based on the calculation results, the calculated t value is -0.482. The t table value is calculated based on α = 0.05 and df = n-2 = 7 – 2 = 5, so the t table value is 2.571. Because the calculated t value is lower than the t table, namely -0.482 > 2.571 H0 is accepted. This shows that the value of company goodwill has no effect on firm value.

4. CONCLUSION

Goodwill is often used as a basis or basis for an investor in assessing a company. Companies that report a positive goodwill value are indicated to have high intellectual capital, so investors will assume the company has better income potential in the future. However, the goodwill value which is assumed to be a signal that the company has high intellectual capital, does not influence investors in assessing the company. The high value of goodwill does have the possibility of influencing investors in assessing a company, but it does not have a big role so it cannot be used as a determining factor. Therefore, the high value of goodwill will not affect the value of the company.

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