ANALYSIS TO FACTORS THAT TO INFLUENCE THE DISCLOSURE OF PRO FORMA ON PUBLIC COMPANIES OF MANUFACTURING SECTOR IN 2010-2014

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Abstract

*The aim of this study to reveal about the factors that affect the disclosure of pro forma and the factors that are believed to affect the pro forma disclosure is leverage, market expectations, type of industry, the company's performance, company size, income benchmark, the age of the company and the company's liquidity. This study is a survey research and data are obtained in the form of secondary data and questionnaire data from 50 public companies manufacturing sector in Indonesia 2010-2014. Based on the data to be processed, this research includes quantitative research. With the entire population of a public company of manufacturing sector as a valid sample of 143 companies is determined by 50 companies using purposive sampling method with certain criteria, so that overall there are 250 observations. Data processed using Eviews version 7 which apply to the determination of the regression equation Pooled LS models, Fixed Effect Model (FEM), Random Effects Model (REM). By knowing the REM as regression models were fit to the regression equation is IDK = 0.859691 - 0.041504 * LV + 0.000141 * ME - 0.002033 * TYPE + 0.00406 * ROA - 0.001506 * SIZE + 0.004805 * EB + 0.000221 * AGE - .000424 * CR + [PER = F]. It was found that the market expectations, profitability, earnings benchmark and age of companies have a positive effect on the disclosure of pro forma, but leverage, industry type, company size and liquidity of the company have the opposite effect. Leverage, market expectations, profitability, earnings benchmark and liquiditys'company have significant influence on the disclosure of pro forma, but the type of industry, company size and age of companies have no significant effect of pro forma disclosures.*

Keywords: disclosure, pro forma, leverage, profitability, liquidity

INTRODUCTION

Publication of income statement in quarterly and annually is a chance for company management to inform their performance to all of stakeholders *(Laudon and Laudon, 2004).* The announcement of company important information must be known by investors and other stakeholders for getting a complete knowledge about firm value. Nowdays, investor are not only reading an annual report including income statement inside, but also they try to get other information from any sources as long as supporting their decisions. Adisclosure that company had declared like pro forma disclosure that it could be presented by non GAAP *(Bradshaw and Sloan, 2002, and Bowen, 2005).*

The guidance of presentation and disclosure to issuer of income statement or public companies intend to give a standardized presentation and disclosure based by principles of full disclosure so that can give the quality presentation and disclosure for user of information. Income statement must be informative enough to effect consideration and decision of smart users, appendix 1 *Surat Edaran Ketua Badan Pengawas Pasar Modal Nomor: SE-02/PM/2002 Tanggal: 27 Desember 2002).* Investor and investment manager have concerned riskly and return on investment. They need much information for making decision for buy, hold and sell that investment. Besides that much information to value company ability to pay dividend to shareholders despite there is a problem of difficulty of getting the relevant information for them.

One of very important disclosure but less attention by investors related to financial statement is disclosure of pro forma statement. The characteristic of public company tend to implement disclosure of pro forma, like: size, industry types, age, performance and liquidity according to *Lougee and Marquardt (2004).* Revealed by *Bhattacharya, (2004),* age of company has influence to disclosure of pro forma, and founded *Bowen (2005)* that size of company also has effect to disclosure of pro forma. Leverage become the ones of characteristic of the companies that they make disclosure of financial information non GAAP, namely disclosure of pro forma *(Bhattacharya et.al, 2004).* According to founded result by *Isidro and Marques (2008)* that firm performance are categorized as one of characteristic to influence disclosure of pro forma.The disclosure of pro forma also are influenced by determinant of market ecpectation *(Bhattacharya et.al, 2004).* The disclosure of pro forma are viewed as an important information that are prepared by companies to all of users especially investor and stakeholders to support their investment decision. In the disclosure of pro forma seems what they will reach in many years later especially next year. What they plan to realize their expectation. Their ambitious like reaching of a certain number of sales, a certain number of profits or a declaration of number of dividend paid are very important to be informed to all of users. The information like this will make them is very happy, because of hope can increase their trust to make a lot of transactions for better stock market. When the public companies present a hope about promises of profit, may give them a guarantee. A promise is an obligation that must be realized, anyhow and anytime. The company that has encouraged to disclosure their hope for the future their business is the company has a responsibility to their stakeholder. We must give a credit point for the company that has concern of responsility for them and they have given an advantage to contribute increasing stakeholder wealth. However, the problem is not simple because there are many companies not willing to annuance their condition at that time. They have not a self confidence bravely to show their ambition for the future. The company issued the financial information for current condition and to try explaining what plan that they will do to reach the better future are great companies. Not all of companies' brave for arranging their expectation plan for the next periode and to publish them for all of users. The bravery has a consequence of course, and the company's fully confident that can do it. Financial statement's presented in annual report still become a main source for all of users, however, investor decision will be better if they have an additional source like the disclosure of pro forma.

This research aims to test based on empiric study about leverage, market expectation, industry type, company size, benchmark income, age of company and liquidity to disclosure of pro forma on public company of manufacturing sector, Indonesia Stock Exchange (idx) in 2010-2014. The disclosure of pro forma should be mandatory financial statement to protect the interest of users. According to *Keputusan No.Kep-134/BL/2006 huruf b, angka 1* stated that BAPEPAM to oblige all of public company to present financial information of pro forma disclosure related to income from operational, net income/loss, and net income/loss of EPS (option). However, a regulation's no sanction of cause less effective in law enforcement. Criteria of public company that implement the disclosure of pro forma must be given limited clearly and must be accompanied its consequency. PSAK No.109 states about mandatory disclosure and voluntary disclosure. Voluntary disclosure is a disclosure that be done by manager voluntarily and may bring in non-compliance of manager to disclosure. The disclosure of pro forma is different with voluntary disclosure. The disclosure of pro forma is taking into account the future with certain conditions, while valuntary disclosure can clarify or complete mandatory disclosure if there is an additional disclosure. With many crimes in related to financial reporting like Emron, Co can confirm that financial reporting was not enough, with that reason we still need the additional information known as disclosure of pro forma.

REFERENCES

The disclosure of pro forma theoretically in related to many theories, as folllow : *signaling theory*. Signaling theory states an additional information from the company management can be viewed as a signal for investor or potential investor for making business decision. There is a different between the business decision using the disclosure of pro forma with not using that. However, market players ask for tranparency in all of financial reporting. According to *efficient market hypothesis theory* that a capital market can be stated efficient when all of information available easily and completely. All of access to get all of information to support making decision can be obtained without obstacles. The availability of information can reduce risks, and can help investors to make their good decision.

The relationship between principal and agent can be eliminated by right and obligation problem because the principal rights are agent obligations and the agent rights are principal obligations. Both the principal and the agent face condition under asymetric information, agent position's stronger than the principal. The asymetric information incurred because the information about company activity that agent have more complete than what the principal know. The agent could be use their information for meeting thier interests, and could be not equal with owner interests. According to *agency theory,* the greater agency cost because of the greater asymetric information mean the more information that not be known by owners. The lack of information by owners can influence their relationship with owners, and also increasing lack of trust to agent make the relationship lack of harmony between principal and agent. The asymetric information can be reduced with implementation the disclosure of pro forma. The other words, the information that the principal have been increased with reducing the information that the agent have.

The statement of pro forma is a financial statement present the planning of company financial for the future based on the current of financial statement. Using word of pro forma refers there is still unrealized financial condition until cut off accounting period. However, remembered by Mulford and Comiskey (2002) that must be prudent to use the disclosure of pro forma for making a business decision. The motivation of using the disclosure of pro forma is very diverse depending on each company. According to Bhattacharya (2004) revealed that the disclosure of pro forma is issued for closing the bad performance of company. The disclosure of pro forma is considered as a chance to fix their relationship with principal that worsening because of asymetric information.

Leverage is the characterictic of company to present the disclosure of pro forma as financial information non GAAP (Bhattacharya *et.al.,* 2004), however according to founded result of Isidro and Marques (2008) stated the management performance become the reason make the disclosure of pro forma. Meek, et.al (1995), the higher the level of leverage, the higher the level of importance to disclosure of pro forma.

Research result from Bhattacharya (2004), Lougee and Marquardt (2004) and Entwistle (2005) revealed the company to disclosure of pro forma because they has succeed to reach higher liquidity than others in industry. The company that has investor with the higher expectation of course has the higher possibility to disclosure of pro forma. The market expectation gave a reason why company prepared the disclosure of pro forma.

Continued by Lougee and Marquardt (2004) that the company of high technology stronger investment in intangible assets for having a chance to disclosure of pro forma.The main reason to do the disclosure of pro forma because net income or net profit that to be received by the company that has the high technology lower than the net income of average industry. Therefore, industry type also has a chance to prepare the disclosure of pro forma, and the good performance of financial information that is in annual report was strong reason to set the disclosure of pro forma stated by Bowen (2005). According to PSAK No.25 paragraph 31, when the financial statement can not be relied on anymore on issued date and it is a basic mistake can be presented the additional information, like the disclosure of pro forma. The corporate performance proven has influenced the disclosure of pro forma.

The company of big size identified to have the bigger chance to disclosure of pro forma than the smaller company which is not much that can get more information by investors. The bigger company has the more chances of success than the smaller ones.

Earnings benchmark as a variable that influence the disclosure of pro forma based on the opion of Frederickson and Miller (2004), Lougee and Marquardt (2004, Bowen (2008), Black and Christensen (2008) that the company that is investigated tend to net income of pro forma to meet the benchmark of earnings for company strategic even though net income of pro forma could not be the earnings benchmark.

The older age of company refers a lot of experience about the information of company. The age of company show the ability to manage difficulty and thread to threaten the life of company, the longer company so that the more ability to increase the trust of investors. Untari (2010) stated the age of company has a positive relationship to voluntary disclosure. The older company may be more understand about all of information revealed or should be revealed in annual report or financial statement. The company that revealed its information will have the positive relationship for itself. Bhattacharya (2004) proved the majority of company that revelead the disclosure of pro forma aged about 3-6 years based on data base compustat, 85% of data base compostat that prepared the disclosure of pro forma under aged about 10 years. The younger company has interest higher in the disclosure of pro forma than the older company has done that. The research design presented as follows:

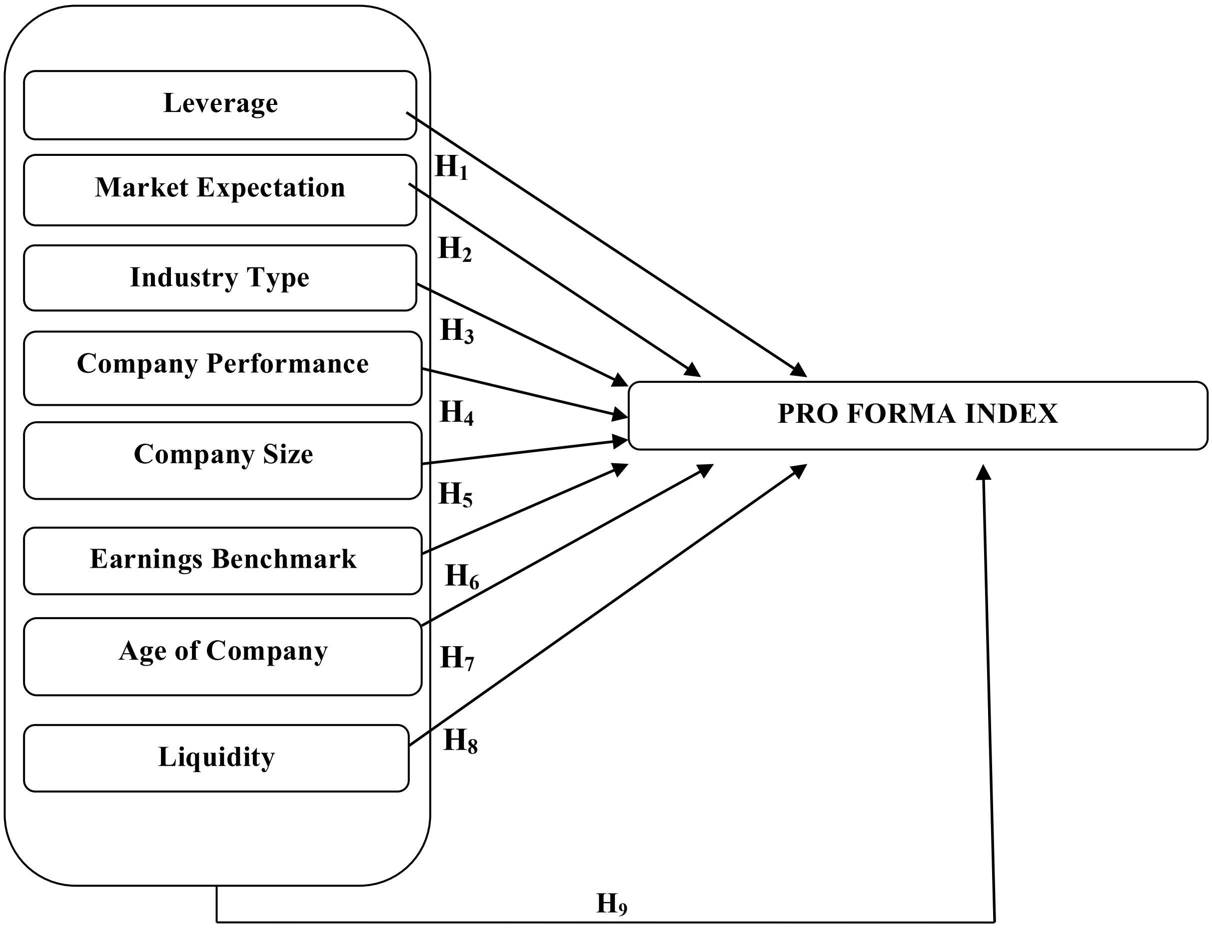


Figure 1: Framework of Reseach Design

The hypothesis can be determined based on the explanation above:
H1 : Leverage significantly affect Disclosure of Pro forma Index
H2 : Market Expectation affect Disclosure of Pro forma Index
H3 : Industri Type affect Disclosure of Pro forma Index
H4 : Company Performance affect Disclosure of Pro forma Index
H5 : Company Size affect Disclosure of Pro forma Index
H6 : Earnings Benchmark affect Disclosure of Pro forma Index
H7 : Age of Company affect Disclosure of Pro forma Index
H8 : Liquidity affect Disclosure of Pro forma Index
H9 : Leverage, Market Expectation, Industry Type, Company Performance, Company Size, Earnings Benchmark, Age of Company and Liquidity affect simultaneously Disclosure of Pro forma Index

RESEARCH METHODOLOGY

Research Objectives

Research objectives for analyzing to factors that effect to disclosure of pro forma based on research data of annual reports of public companies listed in Indonesian Stock Exchange

(IDX) for 2010-2014. The empiric data that to be used to prove the influence of these factors to disclosure of pro forma index.

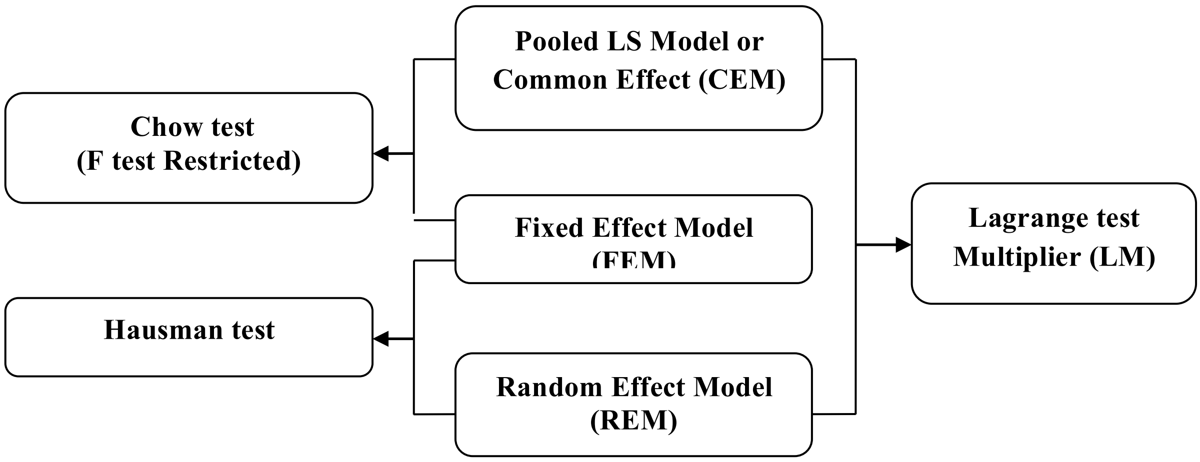
Population and Sample

The determination of samples to be done using *purposive sampling method* with the certain criteria and the number of populations 143 companies, with purposive sampling method determined 50 companies as valid samples, and based on all samples to be determined 250 observations (50 companies x 5 years of data).

Determination of Regression

The analysis of data is to be done with using Eviews7. The company determines the regression function that will be tested with 3 models, Pooled Least Square (PLS) model, Fixed Effect Model (FEM) and Random Effect (REM). After testing to the that models and the best model is the Random Effect Model (REM).

Figure 2: Testing method to determine the regression function



The choisen model will be tested again for using classic assumption test as follows; normality test, multikolinearity test, autocolleration test, heterokedasticity test and determination coefficient test.

ANALYSIS AND RESULTS

Table 1: Statistic Descriptive Analysis for Pro Forma Index, Leverage (DER), Market Expectation, Company Type, Profitability (ROA), Company Size, Earnings *Benchmark*, Age of Company, Likuidity (CR)

	INDEX	LV	ME	TYPE	ROA	SIZE	EB	AGE	CR
Mean	0.819550	0.723247	24.0390	2.0600	13.0334	14.4308	2.1840	18.56800	392.053
Median	0.809524	0.614219	15.3102	2.00000	9.44697	14.2637	2.0000	19.00000	192.096

Maximum	0.930000	3.252471	435.321	3.00000	83.7277	19.2794	3.0000	32.00000	1725.06
Minimum	0.714286	0.123671	0.19872	1.00000	0.13999	10.6663	1.0000	1.000000	20.8468
Std. Dev.	0.048257	0.501858	39.3264	0.85985	13.3600	1.78393	0.8491	5.722970	1592.75
Skewness	0.058233	1.546386	6.57486	-0.11515	2.47443	0.34292	-0.3592	-0.273738	14.5190
Kurtosis	2.259943	6.270997	59.5577	1.36744	10.7194	2.57531	1.4850	3.566538	221.046
Jarque-Bera	5.846344	4.090265	5.35121	8.315365	5.87586	6.7786	6.28453	6.465563	5.04036
Probability	0.153763	0.344800	0.20454	0.085001	0.25013	0.13373	0.1367	0.139448	0.26026
Sum	204.8876	180.8119	6009.75	515.000	3258.36	3607.70	546.00	4642.000	98013.4
Sum Sq. Dev.	0.579863	62.71346	385095.	184.100	44444.3	792.419	179.53	8155.344	6.32E+8
Observations	250	250	250	250	250	250	250	250	250

Sources: www.idx.com, data is processed by the Eviews.

Based on the result of pusposive sampling can be obtained 50 public companies 2010-2014 that listing in Indonesian Stock Echange. The statistic descriptive revealed that pro forma index 82% with the deviation standard 0.048257 show manufacturing companies has been considered fulfill SE Ketua BAPEPAM Nomor: SE-02/PM/2002, December 27, 2002. The company that has the highest pro forma index at 93% is Semen Indonesia Tbk in 2010 and the lowest at 71% is Citra Tubindo Tbk in 2012.

The leverage (DER) at 0.723247 with deviation standard at 0.501858.The highest leverage at 3.252471 receive the highest risk by Multi Bintang Indonesia Tbk in 2014 and the lowest is Jaya Pari Steel Tbk at 0.123671.

For the average of market expectation is Rp.24.0390 with deviation standard 39.3264 and revealed Delta Djakarta Tbk has the biggest market expectation at Rp. 435,321 in 2014 and the smallest is Sepatu Bata Tbk with expectation market at Rp.0.19872 in 2013.

The average of company type has score 2 with deviation standard 0.85985, the highest score is 3 and the lowest is 1. That score is not measurement the firm value, but as a classification at the industry classification of public companies in Indonesia.

The profitability (ROA) has a percentage score is 13.0334% with devation standard 13.3600. The highest ROA to be achieved by Charoen Pokphand Indonesia Tbk at 83.7277% in 2014 and the lowest ROA is Rama Syntetic in 2013.

In the aspec of company size has average at 14.43083 with deviation standard 1.783930 and revealed that Astra International Tbk has the biggest company size at 19.27946 in 2014, and the smallest is Indofood Sukses Makmur Tbk at 10.6663 in 2013.

The average of earnings benchmark at 2 with deviation standar 0.84913 and the score to be catagoried as the highest earnings benchmark is 3 and the lowest at 1.

Company age is at 18.57 year old with deviation standard at 5.72297 and we know that the company the oldest listed at IDX is Multi Bintang Indonesia Tbk during 32 year and the youngest is Indopoly Swakarsa Industry Tbk only 5 year.

Liquidity or current ratio in average is 392.053%. the highest liquidity succeed to be achieved by Duta Pertiwi Tbk at 1.725% in 2014 and the lowest is achieved by Arwana Citramulia Tbk in 2013.

Research Analysis with Panel Data

For choising which method is the most efficient between three function models, Pooled Least Square (PLS), Fixed Effect Model (FEM) and Random Effect Model (REM) need to be tested again with using the regression model of panel data.

Table 2: Regression Model of *Panel Least Square* (PLS)

Dependent Variable:Pro Forma Index
Method: Panel Least Squares
Date: 12/01/15 Time: 19:54
Sample: 2010 2014
Periods included: 5
Cross-sections included: 50
Total panel (balanced) observations: 250

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.889375	0.025688	34.62253	0.0000
LV	-0.032514	0.006197	-5.247002	0.0000
ME	0.000120	7.35E-05	2.639775	0.0124
TYPE	-0.003102	0.003392	-0.914519	0.3614
ROA	0.000174	0.000282	2.615310	0.0119
SIZE	0.003623	0.001662	2.179379	0.0303
EB	0.006012	0.004520	1.329970	0.1848
AGE	0.000235	0.000531	0.443189	0.6580
CR	3.97E-06	1.80E-06	2.201948	0.0286

R-squared	0.196365	Mean dependent var	0.819550
Adjusted R-squared	0.169689	S.D. dependent var	0.048257
S.E. of regression	0.043973	Akaike info criterion	-3.375158
Sum squared resid	0.465998	Schwarz criterion	-3.248386
Log likelihood	430.8948	Hannan-Quinn criter.	-3.324136
F-statistic	7.360946	Durbin-Watson stat	0.974543
Prob(F-statistic)	0.000000		

Source: www.idx.com, data is processed by the Eviews.

Table 3: Regression Model of *Fixed Effect Model* (FEM)

Dependent Variable: Pro Forma Index
Method: Panel Least Squares
Date: 12/01/15 Time: 20:00
Sample: 2010 - 2014
Periods included: 5
Cross-sections included: 50
Total panel (balanced) observations: 250

Variable	Coefficient	Std. Error	t-Statistic	Prob.

C	0.872596	0.025182	34.65147	0.0000
LV	-0.034853	0.006037	-5.773415	0.0000
ME	0.000112	7.18E-05	2.558149	0.0125
TYPE	-0.002636	0.003283	-0.802996	0.4228
ROA	0.000204	0.000274	2.745243	0.0059
SIZE	0.002681	0.001626	2.649161	0.0114
EB	0.004383	0.004499	0.974357	0.3309
AGE	0.000150	0.000529	0.283928	0.7767
CR	3.65E-06	1.75E-06	2.080673	0.0385

Effects Specification

Period fixed (dummy variables)

R-squared	0.261034	Mean dependent var	0.819550
Adjusted R-squared	0.223618	S.D. dependent var	0.048257
S.E. of regression	0.042521	Akaike info criterion	-3.427051
Sum squared resid	0.428499	Schwarz criterion	-3.243935
Log likelihood	441.3814	Hannan-Quinn criter.	-3.353353
F-statistic	6.976548	Durbin-Watson stat	0.952438
Prob(F-statistic)	0.000000		

Source: www.idx.com, data is processed by the Eviews.

Table 4: Regression Model of *Random Effect Model* (REM)

Dependent Variable: Pro Forma Index
Method: Panel EGLS (Cross-section random effects)
Date: 12/01/15 Time: 20:09
Sample: 2010 2014
Periods included: 5
Cross-sections included: 50
Total panel (balanced) observations: 250
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.859691	0.038441	22.36397	0.0000
LV	-0.041504	0.006552	-6.334895	0.0000
ME	0.000141	6.29E-05	2.241978	0.0259
TYPE	-0.002033	0.005468	-0.371773	0.7104
ROA	4.06E-05	0.000253	3.160407	0.0017
SIZE	0.001506	0.002406	2.625678	0.0121
EB	0.004805	0.004362	3.101553	0.0018
AGE	0.000221	0.000811	0.272233	0.7857
CR	4.24E-06	1.45E-06	2.927563	0.0037

Effects Specification	SD	Rho
Cross-section random	0.029259	0.4502
Period fixed (dummy variables)		
Idiosyncratic random	0.032336	0.5498

Weighted Statistics

R-squared	0.730474	Mean dependent var	0.819550
Adjusted R-squared	0.725055	S.D. dependent var	0.037511
S.E. of regression	0.032158	Sum squared resid	0.245088
F-statistic	8.483408	Durbin-Watson stat	1.690327
Prob(F-statistic)	0.000000		

Unweighted Statistics

R-squared	0.551484	Mean dependent var	0.819550
Sum squared resid	0.434037	Durbin-Watson stat	0.926246

Source: www.idx.com, data is processed by the Eviews.

Model Estimated Method Test

Based on regression estimated method of panel data can be determined which method is the fittest for estimating the expected regression function must be done some tests as follows:

a. F Restricted Test

F restricted test is used to choose the best approaching between Pooled Least Square (PLS) and Fixed Effect Model (FEM), based on the formula from Gujarati, (2008) :

$$F = \frac{(RSS_1 - RSS_2)/(N-1)}{(RSS_2)/(NT-N-K)}$$

(0.465998 - 0.428499)/50)/(0.428499)/192)= 0.00074998/.00223176 = 0.33605

With F_{table} 1.975552

$F_{count=}$ .33605 < F_{table} =1.975552, with α=5%, *Pooled Least Square* (PLS) more precise to be used as a regression function estimated model.

b. Haussman Test

Haussman test to be used for chosing the best approaching between *Fixed Effect Model* (FEM) and *Random Effect Model* (REM), based on the formula of Gujarati, 2008:

Hipotesis null of Haussman test:

H_0: accepted, *Random Effect* (REM) is effective

H_1: accepted, *Fixed Effect* (FEM) is effektive

Dengan kriteria pengujian hipotesis:

if $\chi^2_{\text{count}} \geq \chi^2_{\text{table}}$ and *p-value* significant < 0,05, so H_0 rejected, means FEM model more precise to be used by Gujarati, 2008.

Table 5 : Result of Hausman Test

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	4.401351	7	0.7326

Source: www.idx.com, data is processed by the Eviews.

According to *Haussman test for fixed effect versus random effect* above, obtained χ^2_{count} = 4,401351 and *p-value* = 0.7326 > 0.05, not significant to α=5%, hypothesis H_0 accepted means *Random Effect Model* (REM) more precise to be used.

c. Lagrange Multiplier Test

For knowing what *Random Effect* Model is better than *Common Effect* (OLS) model can be tested with Lagrange Multiplier Test (LM), as follows:

$$\mathbf{LM} = \frac{nT}{2(T-1)}\left(\frac{\sum_{i=1}^{n}(T\bar{\bar{e}}_i)^2}{\sum_{i=1}^{n}\sum_{t=1}^{T}\bar{e}_{it}^2} - 1\right)^2$$

LM = 250/98{ (11.64995/0.4659980) – 1}

LM = 61.22449.

Based on the result of LM count at 61.22449 is higher than value of Chi Square Statistic at 4.401351, means hypothesis null rejected, the estimated more precise for regression data panel. The regression model of panel data is *Random Effect* Model than *Common Effect Model.* Finally, the estimation model that can be used with using Random Effect Model, as follows:

Index = 0.859691 - 0.041504*LV + 0.000141*ME - 0.002033 *TYPE + 0.00406*ROA - 0.001506 *SIZE + 0.004805*EB + 0.000221*AGE - .000424*CR+ [PER=F]

Interpretation:

1. According to the result of regression function can be explained that intersept is 0.859691, mean: when the independent variables have score 0, pro forma index at 0.859691.
2. The coefficient value of leverage regression at -0.041504, means: there is the negative effect to Pro Forma index of manufacturing company, where each increasing 1 unit of leverage will reduce pro forma index of manufacturing company at 0.041504 in unit significantly and effected big enough than orher variable in the model.
3. The coefficient value of market expectation at 0.000141 means there is the positive effect on market expectation variable to pro forma index, where the market expectation increase one unit will increase the pro forma index at 0.000141 units. It shows the market expectation has effect the positive and significantly to pro forma index.
4. The coefficient value of company type at -0.002033,means there is the positive effect to pro forma index, where if it occurs increasing one unit on company type will reduce pro forma index at 0.002033 in unit. It showed that company type did not effect significantly to pro forma index.
5. The coefficient value of profitability at 0.00406, it means there is the positive effect to the variable of pro forma index, where each the increasing profitability one unit will increase pro forma index at 0.00496 in unit. It refers that the company profitability influence pro forma index significantly.
6. The coefficient value of company size at 0.001506, it means there is the positive effect to the the variable of pro forma index, where each the increasing company size one unit will decrease the pro forma index at 0.001506 in unit. It refers that the company size do not influence pro forma index positively and significantly.
7. The coefficient value of earnings benchmark at 0.004805, it means there is the positive effect to the the variable of pro forma index, where each the increasing earnings benchmark one unit will

decrease the pro forma index at 0.004805 in unit. It refers that the earnings benchmark influence pro forma index significantly.

8. The coefficient value of company age at 0.000221, it means there is the positive effect to the the variable of pro forma index, where each the increasing company age one unit will decrease the pro forma index at 0.000221 in unit. It refers that the company size do not influence pro forma index significantly.
9. The coefficient value of liquidity at 0.000424, it means there is the positive effect to the the variable of pro forma index, where each the increasing liquidity one unit will increase the pro forma index at 0.000424 in unit. It refers that the liquidity influence to pro forma index significantly.

CONCLUSION AND RECOMMENDATION

Based on the result of research and explanation with using three models of *Pooled Least Square* (PLS)*, Fixed Effect Model* (FEM) dan *Random Effect Model* (REM) and can be stated that the best model for estimating the influencse of leverage, market expectation, company type, profitability, company size, earnings benchmark, company age, liquidity, pro forma index to the public companies of IDX during 2010-2014.

The conclusion that can be determined as follows:

a. The leverage has influence strong enough to be compared with the variable that it influence pro forma index in the Random Effect Model.
b. The market expectation has positive to pro forma index, refers the market expectation has effect to pro forma index significantly and positively.
c. The coefficient value of company type at -0.002033, it means there is the negative effect to the the variable of pro forma index, where each the increasing company type one unit will decease the pro forma index at -0.002033 in unit. It refers that the company type do not influence to pro forma index significantly.
d. Liquidity has the postitive effect to the the variable of pro forma index. It refers that the liquidity influence to pro forma index significantly.
e. Company size refers that the company size do not influence to pro forma index significantly.
f. Earnings benchmark has the postitive effect to the the variable of pro forma index. It refers that the earnings benchmark influence to pro forma index significantly
g. Company age do not effect the the variable of pro forma index. It refers that the company age do not influence to pro forma index significantly.

B.Recommendation

a. The convergency IFRS (International Finance Reporting Standard) that start in Indonesia, the beginning of 2012 of cause has effect to each annual report of companies. As the researcher want continue this research with additional of the convergency IFRS.
b. This research just uses 15 items in calculation of pro forma index of 21 items available.

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