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IMPLICATIONS OF FIXED ASSET REVALUATION ON FINANCIAL STATEMENT PERFORMANCE AND COMPANY CAPITAL STRUCTURE: A CASE STUDY OF PT. LUMBUNG PEDIA KERAMIK

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ABSTRACT

Historical valuation of fixed assets often does not reflect the current fair value, so revaluation is one of the accounting policies that can measure this gap. This study aims to analyze the effectiveness of fixed asset revaluation on the company's financial statement performance and capital structure, through a case study at PT. Lumbung Pedia Keramik. The variables used include Debt to Equity Ratio (DER), Fixed Assets to Net Worth, and Return on Investment (ROI). The analysis method is a normality test followed by a Paired Sample t-Test to compare the ratios before and after the revaluation. The results of the study stated that fixed asset revaluation did not provide a significant difference in the three ratios. The implication of this finding is that although revaluation increases the book value of assets, its direct effect on financial performance and capital structure is not automatically significant. This study suggests that companies carefully consider the costs and benefits of revaluation before its implementation.

Keywords: Fixed Asset Revaluation, Financial Performance, Capital Structure, Financial Ratios

A. INTRODUCTION

Fixed assets (property, plant, and equipment) are a critical component of a manufacturing company's asset structure. However, in historical accounting practices, the book value of fixed assets is determined based on historical cost and accumulated depreciation, which do not always reflect current fair value or market value. This discrepancy can result in financial information being less relevant to users of financial statements.

Accounting standards such as IAS/IFRS (IAS 16) or PSAK allow companies to use the revaluation model when fair value can be reliably estimated, as an alternative to the cost model. With a revaluation, the value of fixed assets can be adjusted to fair value, increasing net asset value and improving the company's financial image.

However, whether revaluation will have a significant impact on financial performance (profitability, ROI) or capital structure (debt-to-equity ratio) remains to be seen. Some studies indicate that revaluation can improve future performance (Aboody, 1999), while other research in Indonesia shows insignificant results after revaluation (Yulianto & Suryaningrum, 2019).

In the Indonesian context, and particularly in manufacturing companies such as ceramics, empirical research on revaluation and its effects is still limited. Therefore, this study uses PT. Lumbung Pedia Keramik as the object to test whether fixed asset revaluation actually affects the company's financial performance and capital structure.(Anggraini & Arifin, 2023)

B. LITERATURE REVIEW

Accounting Theory and Fixed Asset Revaluation

Under IAS/IFRS (IAS 16), after initial recognition, an entity can choose between the cost model or the revaluation model to measure fixed assets. The revaluation model allows the book value to be adjusted to its fair value at the revaluation date, less any depreciation and impairment losses.(Aryanda, Utomo, Arifin, Nuryadi, & Farida, 2025)

Meanwhile, according to Kleindl, Brad. And Burrow, (2004) expressed his opinion that Digital marketing is a process of planning and implementing concepts, ideas, prices, promotion and distribution. In simple terms, it can be interpreted as building and maintaining mutually beneficial relationships between consumers and producers Revaluation can reduce the gap between book value and market value, increasing the relevance of financial statements. However, revaluation also results in higher depreciation expense (due to the higher value basis), tax implications (income tax expense on revaluation differences), and potentially increased audit costs (due to external estimates and assessments) (Reyes, M.A., 2020).

Capital Structure and Financial Ratios

Capital structure reflects a company's financing through debt and equity. The Debt-to-Equity Ratio (DER) measures the proportion of debt financing to equity. If a revaluation increases recorded equity (through a revaluation reserve), the DER can theoretically decrease (the lighter the debt relative to equity). Several studies support that revaluation helps improve borrowing capacity by increasing the value of collateral (Cho, H., et al., 2021).

Fixed Assets to Net Worth measures the extent to which fixed assets contribute to a company's "net equity." Revaluations can increase both the numerator (the recorded value of fixed assets) and the denominator (the recorded equity), so the effect on this ratio depends on the proportion of each increase.

Return on Investment (ROI) reflects the profitability of the total investment. If the revaluation is not accompanied by a significant improvement in operational performance, ROI may not be significantly affected.

C. RESEARCH METHODS

Types of research

This research is quantitative and uses a case study approach at PT. Lumbung Pedia Keramik. This company was selected because it had conducted a fixed asset revaluation and financial data was available for the periods before and after the revaluation.

Data and Period

The data used are the financial statements of PT. Lumbung Pedia Keramik for the two-year period before and four-year period after the revaluation (according to the period you have in your thesis). The data includes the balance sheet and income statement.

Variables and Operational Definitions

Variabel	Definisi	Rumus / Formula
DER (Debt to Equity Ratio)	A measure of the proportion of debt to equity	DER = Total Debt / Total Equity
Fixed Assets to Net Worth	How big is the portion of fixed assets to net equity	Fixed Assets to Net Worth = Fixed Asset Value / Equity

Variabel	Definisi	Rumus / Formula
ROI (Return on Investment)	ROI measures the return on investment made	ROI = Net Income / Total Assets (or investment base)

Data analysis technique

1. Test for normality of data (e.g. Kolmogorov-Smirnov) to ensure the data meets parametric assumptions.
2. If the data is normally distributed, then the Paired Sample t-Test is used to test the difference in the average ratio before and after the revaluation (two paired samples).
3. Significance level $\alpha = 0.05$.
4. If the distribution is not normal, a nonparametric test (e.g., the Wilcoxon signed-rank test) can be used as an alternative.

D. RESEARCH RESULTS AND DISCUSSION

This study measures the implications of fixed asset revaluation on the financial performance of PT. Lumbung Pedia Keramik using three main indicators: Debt to Equity Ratio (DER), Fixed Assets to Net Worth, and Return on Investment (ROI). A comparison of the average ratio values before and after the revaluation is shown in Table 1.

Table 1. Average Financial Ratios Before and After Fixed Asset Revaluation

Financial Ratios	Before Revaluation	After Revaluation	Change	Sig. (p-value)	Information
Debt to Equity Ratio (DER)	1,22	1,17	–0,05	0,435 (>0,05)	not significant
Fixed Assets to Net Worth	0,76	0,93	+0,17	0,171 (>0,05)	not significant
Return on Investment (ROI)	9,21%	8,61%	–0,60%	0,277 (>0,05)	not significant

From the table above, it can be seen that:

- DER decreased from 1.22 to 1.17, although this decrease was not significant.
- Fixed Assets to Net Worth increased from 0.76 to 0.93, but not significantly.
- ROI decreased from 9.21% to 8.61%, also not significant.

Interpretation of Results

1. Debt to Equity Ratio (DER)

The decrease in DER indicates an improvement in the equity-to-debt ratio after the revaluation. However, because the change was relatively small, statistical tests did not reveal a significant difference. This could be due to external factors, such as tax burdens or additional depreciation due to increased asset values.(Arifin, dkk 2025)

2. **Fixed Assets to Net Worth**
   This increase in the ratio is logical because the carrying value of fixed assets increases after the revaluation. However, the increase in equity through the revaluation reserve also causes the ratio's denomination to increase, so its effect on the overall proportion is not significant enough.
3. **Return on Investment (ROI)**
   The decline in ROI indicates that the increase in asset value was not accompanied by an increase in net profit. This confirms that the revaluation was more of an accounting-administrative exercise than an improvement in operational efficiency..

Discussion

The results of this study show that fixed asset revaluation does not significantly impact a company's financial performance. This finding aligns with research by Yulianto & Suryaningrum (2019), which also found no significant differences in the DER ratio, Fixed Assets to Net Worth, and ROI after revaluation in manufacturing companies in Indonesia.

In contrast, Aboody's (1999) research showed different results, namely a positive relationship between revaluation and future performance in UK companies. This difference can be explained by contextual factors, including Indonesia's post-monetary crisis economic conditions and differences in accounting regulations.

Practically, these results confirm that revaluation functions more as an adjustment to the fair value of financial statements than as a strategic instrument to improve financial performance.

E. CONCLUSIONS AND SUGGESTIONS

Conclusion

Based on a case study at PT. Lumbung Pedia Keramik, fixed asset revaluation did not significantly impact the DER ratio, Fixed Assets to Net Worth, or ROI. Therefore, although the revaluation increased the book value of assets, its direct effect on financial performance and capital structure did not automatically occur.

Suggestion

1. Companies must conduct a thorough cost-benefit analysis before deciding on a revaluation (including appraisal costs, taxes, impact of depreciation).
2. Revaluation should be accompanied by an increase in operational efficiency so that the increase in book value can be followed by an increase in profit.
3. Further research can expand the object of study to many companies, long periods, and include control variables such as company size, initial leverage, macroeconomic conditions.

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