

## **Financial Performance Measures and Their Effect And Value Creations**

**Yunarti<sup>1</sup>, Dertina Eftaria BR Munthe<sup>2</sup>, Iskandar Muda<sup>3</sup>**  
<sup>1,2,3</sup> Master of Accounting, Universitas Sumatera Utara, Medan, Indonesia  
<sup>1</sup>Email:yunarti@student.usu.ac.id

### **Abstract :**

Disclosure asset no form, even with obligation recently this , has bring benefit for score company and help performance finance . Study this aim for analyze connection Among performance finance, disclosure asset no form and creation score in company technology information Brazil and Chile. For doing survey used analysis descriptive through study documentary and approach quantitative . Analysis statistics descriptive , -t test and Pearson correlation helps confirm thatIn time uncertainty, knowing method best for measure performance and create value , determine enhancement power competitive company . With development market international and globalization , company chase enter in many market national , regional or international . Power competitive company related with performance ; the last one could served with various method , because company this must have sustainable presence in the market . Draft performance and creation score general in report company , but most often draft this no defined .

**Keywords :** financial performance measures, value creations

### **Inroducción**

Corporate financial performance measured in terms of accounting-based metrics has been viewed as inadequate as firms began focusing on shareholder value as the primary long-term objective of the organization: they fail to take into account the factors that drive shareholder value.Accountancy finance aim for provide data for user external, such as investors, creditors and agency government in need information for taking decisions (Yulisfan 2021 and Nawaz, 2022,). Dependent users on accounting data for driving information performance and decision they find benefit in accountancy information managerial (Chiarello et al , 2014).Criteria general for measure performance since the 90s are creation value . Start from creation value , series indicator economy developed for measurement : value plus economy (EVA), value plus market (MVA), total return of holders share (TSR), return current cash on investment (CFROI), return on working capital (ROCE), cost of capital (WACC). In practice, company choose the most showing indicator interest for needs company. Choice this based on role manager for create score for holder stock . Outlining draft management based on score means orientation all processes and system in a company for create value . Based on assumptions this , we will serve our view of performance economy and creation value , present connection Among two draft this , and method implementation in company through management based on value .

Well globalization nor progress technology information has increase competition between company and make they different from competitor them (Yulisfan and Nedelea, 2021). A number of writer has state that creation riches in business related with asset no form . They also think that asset no form responsible answer on performance and score more finance good creation . With Thus, companies that have more many asset no form tend create score more for holder share them (Lu et al , 2022). Study this analyze company Brazil and Chile, using economic data and finance for period 2008-2012. Decision about five year study originated from research conducted by Bastos, Nakamura and Basso (2009). They has find determinant capital structure in the company Mexico , Brazil , Argentina, Chile and Peru, from 2001 to 2006. Bastos and Nakamura (2009) too has find in company Brazil, Mexico and Chile decider capital structure on period 2001-2006. In research , Costa and Garcias (2009) has analyze concentration market and performance pulp industry and paper Brazil , from year to 2003 and 2007 .

### **Literature review**

On discussion this a number of researcher has find a number of problem from financial performance measures and value creations. in one side possible holder share is owner effort and management obliged for represent interest they through maximizing score stock . On the side other ,we believe that management mandated by holder share for ensure continuity business period long . We believe that second approach the could combined by management role for create score time front for company along with continuity period long company (Vasile, 2012).

#### **• Measurement performance finance**

The definition of finance company performance no debated in literature . Lack of discussion like that has cause disagreement about how measure phenomenon that . Performance business is type information to direction where institution accountancy must show not quite enough responsible (Zhao et al, 2022). However, believers that performance finance company shared Becomes two category general : the first related with return to investors; second one refers to on return accounting (profit) (Lee, 2022) argues that performance finance company use variable finance and size capital market. Another way for measure performance finance company used by :Waddock and Graves (1997) and Mahoney and Roberts (2004), who used return on assets ROA and level return equity (ROE).

Based on a bibliometric study, Bonaventura, Silva and Bandeira -De-Mello (2012) indicated that, in the years 1996-2010, the most commonly used variables to represent the financial performance were ROA, ROE, sales growth, ROS (Return on Sales), contribution margin, Tobin's Q, market share, firm's risk, ROCE (Return on Capital), operating income, cash flow, share earnings. Callan and Thomas (2009) conducted a study in USA in order to identify and test measures regarding both financial and social performance, willing to examine the relationship most commonly hypothetical between the two phenomena. Some of the results highlighted that a company's profitability measured by ROS is affected to a lesser extent by socially responsible activities for companies in the wholesale and retail markets than for companies in other sectors. Additional findings indicated that the measures of financial performance, such as ROA and ROS, tend to generate very consistent results. However, ROE seems to be more suitable for long-term analysis.

The results indicated that there is no direct relationship between corporate responsibility and performance in only indirect financial relationship, which depends on the mediating effect of the company's intangible assets (Surroca et al., 2010). Thus, it seems that current researchers continue to use the definition of financial performance with indicators relating company's efficiency, shareholders' satisfaction and estimates of financial performance. As companies' goal to bring great wealth to their owners was widespread early, the corporate financial performance, as Borba (2005) believes, is easily defined by measures such as profitability, market value, and return to shareholders.

### Methods

Characterized as descriptive, this study was carried out by means of documentary research with quantitative approach to problem resolution. Its descriptive characteristics come from the fact that the study aims at investigating the relationship between financial performance, intangible assets and value creation of the companies surveyed. From Vergara's (2000, p. 47) point of view, "descriptive research exposes the characteristics of a certain population or a certain phenomenon". The procedure used was provided by documentary research, as described by Marconi and Lakatos (2010). The approach is quantitative due to the use of statistical tools in phases such as data collection, processing, and analysis, in accordance with Richardson's (1999) proposal.

The survey sample includes Information Technology companies in Brazil and Chile, indexed on Thomson base. Nine companies were identified, five Brazilian and four Chilean, in the years 2008 to 2012. The values were dealt with in real currency, converted by the database. The data used in the statistical analysis were extracted from Thomson base. They were considered the same data used in the studies mentioned in section 2.4. The variables are shown in Table 1.

**Table 1. The Studies Mentioned**

C	Variable	Proxy	Authors
Dependent	Intangible	Intangible Assets	surroca et al., (2010) e Tsal et al., (2012).
	EVA	$EVA = (ROI - WACC) * Investment$	Lovata e Costigan (2002) e Assaf Net (2010).
Independent	ROA	Return On Assets	Callan e Thomas (2009), Moneva e Ortas (2010), Berman Wicks, khota e Jones (1999) e Choi e Wang (2009)
			Callan e Thomas (2009), Moneva e Ortas (2010), Prestan e O, Bannon (1997) e Agle , Mitchell, e Sonnenfeld (1999).
			Onusic , Casa Nova e Almeida (2007) e Mahoney, Lagora e Scazzero (2008).
Variables	ROE	Return On Equity	Callan e Thomas (2009), Moneva e Ortas (2010), Prestan e O, Bannon (1997) e Agle , Mitchell, e Sonnenfeld (1999).
Measuring			Onusic , Casa Nova e Almeida (2007) e Mahoney, Lagora e Scazzero (2008).
Financial	Sales Growth	Sales Growth - 1 year	Callan e Thomas (2009), e Girao , Machado e Callado (2013).
Performance			Waddock e Graves (1997) e Callan e Thomas (2009).
	ROS	Return On Sales = Net Earnings / Sales	Callan e Thomas (2009), e Girao , Machado e Callado (2013).
		Return On Invested Capital	Siquera , Rosa e Olivera (2003) e
	ROCE	Operating Profit = Gross	

		Revenue - CMV	Moneva e Ortas (2010).
	Cash Flow	Operating financial investment	Pace, Basso e Silva (2003) e
			RostagnoSoares (2006).

For data analysis, descriptive statistics was first performed in order to describe research data. Later on, independent t-test was applied, which, according to Field (2009), is an effective technique when a categorizing variable is used as an explanatory variable. In the study, this technique was used to examine the effect of financial performance upon both value creation and intangible assets disclosure. It at identifying whether Brazilian companies have greater or lesser financial performance regarding intangible assets and value creation than Chilean companies. Pearson's correlation was applied to verify financial performance, value creation and intangible assets. It was also verified whether information technology companies with greater financial performance have more value creation and intangible assets disclosure, and whether they are Brazilian or Chilean.

### Results and discussion

According to Chiarello (2014) That financial performance measures and their effects and value creations ang where is the case study on Technology Company Information Brazil and Chile, namely : result contribute on statement Burksaitiene (2009) that , through EVA, a person could check generated value \_ by company. With Thus , it is assumed that there is connection Among performance finance , assets no form disclosure and creation value , Pearson correlation . This thing refers to on connection Among variable measurement performance finance company Brazil , creation score and asset no form . Somebody observe that correlation no always show reason and Seen also on Table 3 that variable EVA (63%), ROA (60%), growth sale connection effect , but connection between variables, Pearson correlation , significant relationship found Among supporting variables idea that performance finance more companies \_ good disturb disclosure asset no form and creation value , Finding the could considered similar with results obtained Surroca et al., (2010), who showed no there is connection direct Among performance finance and performance finance , Results this show difference in relation with maintained assumptions \_ by Surroca et al . (2010). This thing caused by fact that no there is effect mediation Among disclosure asset no form and performance finance, such as in case company Technology Information Brazil .Whereas according to Performance Economy In Context Globalization find us highlight importance they and we measure connection direct Among performance time then and creation score time front

### Conclusion

from study diaas can concluded , This study at, specifically, analyzing the relationship between financial performance with intangible assets disclosure and value creation within Brazilian and Chilean information technology companies. To achieve the proposed goal a descriptive research with quantitative approach by means of documental analysis was carried out. The research had as sample Brazilian and Chilean Information Technology companies, indexed on Thomson® base.From the results obtained in this study one may conclude that Chilean companies showed greater impact on both intangible assets disclosure and value creation, through financial performance within the companies surveyed. However, in order to deal with intangible assets disclosure, Brazilian information technology companies need value creation and financial performance.

### Reference

- Bharata Bhusan Sahoo (2017). Value Added: Technique for Corporate Performance Measurement under Social Perspective . Department of Commerce. India . L25 ; G32 DOI : 10.24002/kinerja.v21i1.1038 Received : 12/01/17 Reviewed: 30/01/17
- Chiarello , et al . (2014). Financial Performance, Intangible Assets And Value Creation In Brazilian And Chilean Information Technology Companies de Economia. *Economic Review of Galicia* 23-4
- Dias Basto, D., Nakamura, W. T., & Basso, L. C. (2009). Determinants of capital structure of publicly-traded companies in Latin America: The role of institutional and macroeconomics factors. *Available at SSRN 1365987*.
- Lee, H. M. (2022). *Profit efficiency of Australian banks in the period from 2000 to 2008* (Doctoral dissertation, Macquarie University).
- Lu, F., Huang, X., Xu, E., Chung, C. N., & He, X. (2022). Instrumental love: Political marriage and family firm growth. *Management and Organization Review*, 18(2), 279-318.
- Nawaz, T., & Ohlrogge, O. (2022). Clarifying the impact of corporate governance and intellectual capital on financial performance: A longitudinal study of Deutsche Bank (1957–2019). *International Journal of Finance & Economics*.
- Roma, (2010). Financial performance measures and value creation: a review in Daniela Venanzi . Department of Business & Law.
- Surroca, J., Tribó, J. A., & Waddock, S. (2010). Corporate responsibility and financial performance: The role of intangible resources. *Strategic management journal*, 31(5), 463-490.

- Vasile Rob., (2012). Measuring Performance, Value Creation And Value-Based Management In The Context Of Competitiveness And Globalization. Bucharest Academy Of Economic Studies Faculty Of Accounting And Management Information Systems, Romania
- Yulisfan, Y., &Nedelea, A. M. (2021). The Evolution of Payroll Software That Can Replace The Manual Method In Indonesia. *Ecoforum Journal*, 10(2).1-6.
- Yulisfan, Y., Muda, I., &Nedelea, A. M. (2021). Implementation of Digitalization On The Revenue Cycle To Improve The Quality Of Decision Making More Timely In Indonesia. *Ecoforum Journal*, 10(3). <http://www.ecoforumjournal.ro/index.php/eco/article/view/1217/762>
- Zhao, T., Zhou, H., Jiang, J., & Yan, W. (2022). Impact of green finance and environmental regulations on the green innovation efficiency in China. *Sustainability*, 14(6), 3206.