THE EFFECT OF COMPANY SIZE, LEVERAGE, AND CORPORATE GOVERNANCE MECHANISM ON EARNINGS MANAGEMENT IN MANUFACTURING COMPANIES OF FOOD AND BEVERAGE SUB SECTOR LISTED ON IDX 2014-2016

UNDERGRADUATE THESIS

This undergraduate thesis is submitted in partial fulfillment of the requirements to obtain the degree of *Sarjana Ekonomi* in Faculty of Economics Yogyakarta State University

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Hereby I declare that this undergraduate thesis is my own original work. According to my knowledge, there is no work or opinion written or published by others, except as reference or citation by following the prevalent procedure of scientific writing.

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MOTTO

“For indeed, with hardship [will be] ease. Indeed, with hardship [will be] ease”
(QS. Ash-Sharh [94]: 5-6)

“ Remember why you started and finish what you have chosen, as well as you can. Great things take time"
(Author)

DEDICATION

Bismillahirahmanirahim. I dedicate my undergraduate thesis to :

My beloved Mom, Mrs. Tumirah, and My Beloved Dad, Mr. Wagirin, also My Precious Sister, Fidella Helga Vanie.

Thank you for your unlimited love, for all your prayers , and for everything you have done for me. Thank you for being my best support system.

PENGARUH UKURAN PERUSAHAAN,* LEVERAGE*, DAN MEKANISME TATA KELOLA PERUSAHAAN TERHADAP MANAJEMEN LABA PADA PERUSAHAAN MANUFAKTUR SUB SEKTOR MAKANAN DAN MINUMAN YANG TERDAFTAR DI BEI 2014-2016

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ABSTRAK

Penelitian ini bertujuan untuk mengetahui pengaruh Ukuran Perusahaan, Leverage*, Dewan Komisaris Independen, Kualitas Audit, dan Kepemilikan Manajerial terhadap Manajemen Laba pada Perusahaan Makanan dan Minuman yang terdaftar di Bursa Efek Indonesia 2014-2016 secara parsial maupun simultan.*

Penelitian ini bersifat kausalitas. Populasi dalam penelitian ini adalah Perusahaan Makanan dan Minuman yang terdaftar di Bursa Efek Indonesia 2014-2016. Metode pemilihan sampel menggunakan purposive sampling*, sehingga terdapat 13 perusahaan yang dijadikan sampel. Teknik analisis data yang digunakan adalah analisis regresi linear sederhana dan analisis regresi linear berganda.*

Hasil penelitian ini menunjukkan bahwa Ukuran Perusahaan tidak berpengaruh signifikan terhadap Manajemen Laba (nilai signifikansi 0,616). Leverage *tidak berpengaruh signifikan terhadap Manajemen Laba (nilai signifikansi 0,855). Kepemilikan Manajerial tidak berpengaruh signifikan terhadap Manajemen Laba (nilai signifikansi 0,119). Dewan komisaris Independen berpengaruh positif dan signifikan terhadap Manajemen Laba (nilai signifikansi 0,009). Kualitas Audit berpengaruh positif dan signifikan terhadap Manajemen Laba (nilai signifikansi 0.011). Sedangkan secara simultan, Ukuran Perusahaan,* Leverage*, Dewan Komisaris Independen, Kualitas Audit, dan Kepemilikan Manajerial berpengaruh signifikan terhadap Manajemen Laba (nilai signifikansi 0,029).*

***Kata Kunci**: Manajemen Laba, Ukuran Perusahaan,* Leverage*, Dewan Komisaris Independen, Kualitas Audit, Kepemilikan Manajerial.*

THE EFFECT OF COMPANY SIZE, LEVERAGE, AND CORPORATE GOVERNANCE MECHANISM ON EARNINGS MANAGEMENT IN MANUFACTURING COMPANIES OF FOOD AND BEVERAGE SUB SECTOR LISTED ON IDX 2014-2016

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ABSTRACT

This research aims to analyze the effect of Company Size, Leverage, Independent Boards of Commissoner, Audit Quality, and Managerial Ownership on Earnings Management in Manufacturing Companies of Food and Beverage Sub Sector listed on IDX 2014-2016 partially and simultaneously.

This research was a causal study research. Population of this research were Food and Beverage Companies listed on Indonesia Stock Exchange 2014-2016. The research used purposive sampling method in order to collect the sample and 13 companies were selected as sample of the research. The data analysis techniques were simple linear regression analysis and multiple linear regression analysis.

The results of the research show that Company Size has no effect on Earnings Management (significance value 0.616). Leverage has no effect on Earnings Management (significance value 0.855). Managerial Ownership has no significant effect on Earnings Management (significance value 0.119). Independent Boards of Commissioner has a positive and significant effect on Earnings Management (significance value 0.009). Audit Quality has a positive and significant effect on Earnings Management (significance value 0.011). Meanwhile, Company Size, Leverage, Independent Boards of Commissoner, Audit Quality, and Managerial Ownership simultaneously have a significant effect on Earnings Management (significance value 0.029).

Keywords: Earnings Management, Company Size, Leverage, Independent Boards of Commissoner, Audit Quality, Managerial Ownership

FOREWORD

First of all, I would like to thank Allah SWT for all the blesses and guidances, this undergraduate Thesis entitled "The Effect of Company Size, Leverage, and Corporate Governance Mechanism on Earnings Management in Manufacturing Companies of Food and Beverage Sub Sector Listed on IDX 2014-2016" can be finished. On this opportunity, I would like to thank all people below who have given me helps and guidances so this undergraduate thesis can be finished.

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Yogyakarta, April 20th, 2018

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TABLE OF CONTENT

LIST OF TABLE

LIST OF FIGURE

Figure Page

LIST OF APPENDICES

Appendix Page

CHAPTER I
INTRODUCTION

A. Problem Background

In Indonesia, there are companies listed on Indonesia Stock Exchange (IDX), and some are not listed. The companies that listed on IDX should prepare audited financial statements by Public Accounting Firm before publication. This is in accordance with *Peraturan Otoritas Jasa Keuangan No. 29/POJK. 04/2016* on the Issuer's Annual Report/Public Company. Basically, all sections of the financial statements are important information to make decision. Nevertheless, the users of financial statements are more concerned on the income statement. Statement of Financial Accounting Concept (SFAC) No. 1. states that earnings information is a main focus to assess the performance or accountability of the management.

In the companies, there are different interest between the owner (principal), and manager (agent) of the companies. There is a conflict of interest between the owner and the agent. As an agent, the manager is morally responsible to optimize the benefits of the owner by obtaining compensation in accordance with the contract (Sukirno, et. al, 2017). These differences interest cause a phenomenon called Earnings Management. Gumanti (2000: 104-105) stated that “The term earnings management occurs as a direct consequence of the efforts undertaken by managers in attempt to affect accounting information, especially earnings, for his/her own and/or company’s benefits”. Earnings management occurs

because of there are inbalanced of interest between the principal and agent. The principal is motivated to enter into a contract and endorse themselves with ever-increasir profitability.

Meanwhile, the manager as an agent is motivated to maximize the fulfillment of economic and psychological needs, such as in obtaining investment, loan, or compensation contract (Salno & Baridwan, 2000). Managers manage earnings because the level of earnings is often associated with management performance. The amount of bonus that will be received by the manager depends on the size of the earnings obtained. Therefore, managers often try to accentuate their achievement through the level of earnings.

The large companies have special attention from external parties. It is because the companies with large size can generate big earnings as well. In addition, the company also gets value-added and easiness in getting a debt loan. According to Sawir (2004) "the size of the company can determine the level of ease of companies obtain funds from the capital market. The size of the company also determines the bargaining power of the financial contract". The possibility of a scale effect in cost and return makes larger companies earn more earnings.

Creditors as a lenders of funds in companies also make accounting information for maintenance of certain financial ratios, such as leverage (Priantinah, 2009: 99-109). In maintaining its business continuity, the company needs big fund. The funds can be obtained from external parties,

such as investors and creditors. One important factor in the financing element is leverage. Solvability (leverage) is illustrated to see the extent to which a company's assets are financed by debt compared to their own capital (Kasmir, 2013: 41). Leverage can be understood as an estimator of the inherent risk to a company. With the high leverage ratio indicates that the company is not solvable, its total debt is greater than its total asset (Kasmir, 2013: 16).

Companies that have large debts have a tendency to violate the debt agreements when compared with companies that have a smaller debt (Mardiyah, 2005: 229-256). The companies that break the debt agreements potentially have a possibilities tendency such as the possibility of accelerated maturity, increased interest rates, and re-negotiations of debt agreements (Herawaty & Baridwan, 2007).

The case of accounting fraud occured in IDX, there are the case of PT. Kimia Farma Tbk, PT. Indofarma Tbk, and PT. Lippo indicates the existence of earnings management practices that started from the detected manipulation of earnings. PT. Kimia Farma Tbk in 2002 indicated a practice of earnings management by raising earnings up to Rp.31.7 billion. The earnings management practice is allegedly related to the old management's wish to be re-elected by the government to manage the pharmaceutical company. PT. Indofarma Tbk in 2004 conducted earnings management practice by presenting earnings that raising overstated net profit valued at Rp28.780 billion so that the impact of valuation of

inventory of goods in the process higher than it should, so that cost of sales of the year is understated. The case of earnings management from Manufacturing Companies about Food and Beverage Sub Sector is PT. Ades Alfindo.

The case of earnings management that occur indicates that the implementation of corporate governance mechanism has not been well implemented (Firmansyah, Pratomo, & Yudowati, 2016: 1552). A company is required to have corporate governance mechanisms to build a strong and sustainable corporate condition. Herawaty & Guna (2010) stated that the behavior of managers who make earnings management can be minimized by the implementation of good corporate governance. According to the Forum for Corporate Governance in Indonesia (2006) corporate governance is a set of rules governing relationships between shareholders, managers of companies, creditor, governments, employees and other internal and external rights holders, or in other words a system that regulates and controls the company.

Board of commissioners as the culmination of the company's internal management system, has a role to supervise activities. The proportion of independent commissioners has a fundamental responsibility to encourage the implementation of good corporate governance principles in order to perform the task of supervising and giving advice to directors effectively and more value-added for the company (Surjadi & Tobing, 2016: 69).

The managers of the company have a better understanding about internal information and prospects of the company in the future rather than the owner of the company. When the companies have managerial ownership, it is expected that managers will act in accordance with the wishes of the principal because the manager will be motivated to improve their work.

The audited financial statements that have a quality, relevance and reliability result conducted by qualified auditors. The auditor is responsible for providing high quality information which is useful for decision-making. Auditor quality is seen as the ability to enhance the quality of a financial report for the company. Auditor quality is one important consideration for investors to assess the fairness of a financial report (Pradita, 2010).

The population used in this research is a manufacturing companies of food and beverage sub sector listed on IDX during 2014-2016. The reason of using this population is because the manufacturing companies of food and beverage sub sector has a fluctuating sale. At certain times, such as Ied Mubarak, Christmas, and New Year, the sales will increase compared to the ordinary day. This is often called the seasonal cycle. If the company experiences a seasonal cycle, then the earnings in the financial statements will fluctuate and have an impact on decision-making by related parties such as investors. Therefore, management will probably do

some actions considered as earnings management to make the profits generated by the company remains stable.

Based on the description, the researcher took the title "The Effect of Company Size, Leverage and Corporate Governance Mechanism on Earnings Management in Manufacturing Companies of Food and Beverage Sub Sector Listed on IDX 2014-2016".

B. Problem Identification

According to the problem background, the problem identification of this research are as follows:

1. The earnings information in the income statement becomes the main focus of financial statement's users. In addition, information of earnings is often served as the target of engineering through opportunistic management actions to maximize its satisfaction.
2. The conflict between the owner and management may create the tendency of earnings management.
3. The manager is motivated to maximize the fulfillment of economic and psychological needs.
4. Large companies have access to acquire loan, so it able to generate more earnings as well.
5. Companies that have high debt will have the tendency to break the debt agreement.

6. Some cases of earnings management in Indonesia shows that the companies have not fully uphold the principles of good corporate governance.

C. Problem Restriction

In order for the research to be focused on the problem and avoid the interpretation of undesirable results, this research focuses on the effect of company size, leverage and corporate governance mechanism on earnings management. This research used company size which measured by total assets of the company. Leverage is used because the size of a company's financial leverage affects the public's assessment of the condition of the company. Corporate governance mechanism in this research used the proxy of the independent board of commissioners, audit quality and managerial ownership. While, in measuring earnings management used discretionary accruals proxies. Population in this research is manufacturing company of food and beverage sub sector listed on IDX during 2014-2016.

D. Problem Formulation

Based on the problem background, the problems that can be formulated are as follows:

1. How does Company Size affect Earnings Management?
2. How does Leverage affect the Earnings Management?
3. How does the Corporate Governance Mechanism affect the Earnings Management?

4. How does Company Size, Leverage, and Corporate Governance Mechanism simultaneously affect on Earnings Management?

E. Research Objectives

Based on the problem formulation above, the purpose of the research are as follows:

1. To know the effect of Company Size on Earnings Management.
2. To know the effect of Leverage on Earnings Management.
3. To know the effect of Corporate Governance Mechanism on Earnings Management.
4. To know the effect of Company Size, Leverage, Corporate Governance Mechanism on Earnings Management.

F. Research Benefits

The benefits of this research are expected to be useful for some parties, including:

1. Theoretical Benefits

   This research is expected to contribute the research in the field of accounting, especially on the effect of company size, leverage, and corporate governance mechanism on earnings management. This research is expected to be a reference for similar research.

2. Practical Benefits

a. For Companies

This research is expected to provide insight management to make the financial statements more transparent and not misleading, because the financial statements are one of the main sources of financial information that is important to a number of users in making economic decisions.

b. For investors and potential investors

This research is expected to be a reference of investors and potential investors and other market participants in looking at the company's earnings that are announced as a benchmark for the right decision-making, investment decisions, and credit.

CHAPTER II
LITERATURE REVIEW

A. Theoretical Review

1. Financial Statements

The financial statements are summary of recording the financial transactions which occur during the relevant year. These financial statements are made by management in order to account for the duties imposed on them by the owners of the company and as a report to external parties of the company. The financial statements are the main media for the companies to communicate financial information to the stakeholders. According to Kartikahadi (2012) financial statements prepared by the management consists of:

a. Financial Position Report or Balance Sheet.

In the Financial Position Report or Balance Sheet, there are informations about assets, liabilities, and equity of a company on a given date. In order to manage good entities, liquidity and solvability of the companies can be used at a time, so that financial flexibility can be well understood in determining financial policy especially in the face of cash flow difficulties.

b. Comprehensive Income Statement

The Comprehensive Income Statement is reported the performance or results of an entity's business during a specified period, consists of earnings and loss, composition and details of income and other comprehensive expenses as long as income

useful for calculating or analyzing profitability, efficiency, return on investment, earnings per share, and forecasts about the entity's cash flow capability.

c. Statement of Changes in Equity

The Statement of Changes in Equity is reported a changes in the equity of an entity that occurred during a certain period. This report is the headline that should be reported.

d. Cash Flow Statement

The Cash Flow Statement describes changes in cash and cash equivalents at the beginning and the end of the period, details of the cash inflows and outflows of an entity within a certain period. This report is prepared to describe the amount of cash receipts and disbursements during a reporting period, the source of revenue and expenditure objectives, and the increase or decrease in the final cash balance over the balance of the business period. The sources and uses of cash flows are divided into three categories, consists of operating activities, investment activities, and financing activities.

e. Notes to the Financial Statements

This report serves to provide additional explanations or details the elements of the statement of financial position (balance sheet), statements of comprehensive income, statement of cash

flow, statement of changes in equity, or qualitative explanations to make the financial statements more transparent and not misleading.

f. Financial Position Report at the beginning of the comparative period

This report is presented when an entity applies an accounting policy retrospectively or prepares a restatement of financial statement items, or when an entity reclassifies items in its financial statements.

The financial statements are one of the main sources of financial information which is important to a number of users in making economic decisions. According to SFAC No. 2, financial information will be useful if it meets the following quality characteristics:

a. Relevant

Accounting information can be said to be relevant if the information has the ability to influence the decision of the manager or other financial statement users. Relevant accounting information will be beneficial to investors, creditors, and other users, if the information can be used to evaluate the past, present and future events (predictive value), affirming or improving previously made expectations (feedback value), and the information must be available on time and for decision makers before they lose the opportunity or ability to influence the decision maker (timeliness).

b. Reliability

The information can be said reliable if the information can describe the circumstances or events according to actual conditions (representative faithfulness), the information must be truth-tested by the same test method but by different people (verifiable), the information free of the element of bias (neutrality).

c. Power of appeal and Consistency

The information in the financial statements will be more useful when compared to the previous period financial statements of the same company, as well as with the financial statements of other companies in the same period. Consistency shows the use of the same method by the company through out the period.

d. Cost-Benefit Considerations

Financial accounting information will be sought to be presented in the financial statements, provided that the benefits derived from the presentation of such information exceed the costs required to produce it. Therefore, before presenting information, the benefits to be gained from such information should be compared against the costs that will arise.

e. Materiality

The information is considered material in the event of negligence to include or errors in recording such information in

influencing the user of economic decisions taken on the basis of financial statements.

2. Earnings Management

Earnings management is defined as "any action on the part of management that affects reported income and which provides no true economic advantage to the organization and may be in fact, in the long-term, be detrimental" (Merchant & Rockness, 1994: 79). While, Ayres (1994: 28) defines earnings management as an intentional structuring of reporting or production/investment decisions around the bottom line impact. It encompasses income smoothing behavior but also includes any attempt to alter reported income reporting implications. Another definition of earnings management is "disclosure management in the sense of purposeful intervention in the external reporting process, with the intent of obtaining some private gain" (Schipper, 1989: 92).

Based on the three definitions mentioned above, the third definition seems to have a more profound meaning rather than the first and second definitions.The first definition tends to direct that earnings management is an act that could jeopardize the existence of the organization in the future. This may not be so precise, as long as earnings management is not only related to the individual motivations of managers for personal gain, but also for the benefit of the company and earnings management should not be associated with manipulation.

Meanwhile, the second definition seems too broad and does not directly indicate that earnings management is done for personal gain. For the purposes of this research, the third definition is used as the basis for discussion. In this case, earnings management is always associated with efforts to manage income or profit for certain interests based on certain economic factors.

Earnings management is a difficult phenomenon to avoid, since this is the impact of the used accrual basis in the preparation of financial statements. Discretionary accrual is an accrual component that allows managers to intervene in the process of preparing financial statements. So that, the profit reported in the company's financial statements does not reflect the true value or condition (Herawaty & Guna, 2010).

De Angelo (1986) stated that the concept of accrual model has two components, namely non-discretionary and discretionary components. The discretionary accruals component is the part that allows managers to intervene. This is because managers have the ability to control it in the short term. This component consists of the assessment of receivables, recognition of future warranty expense and capitalization assets. On the contrary, the non-discretionary component accruals are determined by other factors that the manager can not supervise.

Earnings management factors proposed by Watt and Zimmerman (1996) in Ningsaptiti (2010) are:

a. Bonus Plan Hypothesis

The management of the company will choose an accounting method that maximizes its utility, which is a high bonus. Managers who provide the biggest bonuses based on earnings use an accounting methods that increase reported earnings. In the bonus contract, there is known two terms namely bogey (lowest earnings rate to get a bonus) and cap (highest earnings rate). If the earnings is under bogey, then there will be no bonus earned for manager, otherwise if the earnings are above the cap, then the manager also will not get an additional bonus. If earnings is under bogey, managers tend to reduce earnings in the hope of earning big bonuses in the next period, and vice versa. So, the managers only increase earnings if it is between bogey and cap.

b. Debt to Equity Hypothesis

The manager of the company who commits a breach of credit agreement tends to choose accounting methods that have an impact on increasing earnings (Sweeney, 1994). This is to keep their reputation to the external parties. Companies that have a high debt to equity ratio will encourage corporate managers to use accounting methods that can increase revenues or profits, causing the company difficulty in obtaining additional funds from creditors and even companies threatened to breach the debt agreement.

c. Political Cost Hypothesis

The large companies has a tendency to choose an accounting method that can lower the earnings. This is because high earnings make the government will take immediate action such as: imposing antitrust rules, raising corporate income taxes, and so on.

Scoot (1999) in Syukriy (1999) suggests some of the motivations of earnings management:

a. Bonus Purpose

Managers who have information on the net income of the company will act opportunistically to manage the earnings so as to maximize their bonuses based on the company's compensation plans.

b. Political Motivations

Earnings management is used to reduce reported earnings in public companies. The companies tend to reduce reported earnings due to public pressure that results in the government setting stricter rules.

c. Taxation Motivation

The motivation of tax savings becomes the most real earnings management motivation. Various accounting methods are used for the purpose of income tax savings.

d. Change of CEO

The CEO which approaching retirement will tend to increase earnings to get more bonuses. Likewise, with the CEO which is less

successful in improving the performance of the company, they will maximize the earnings so as not to be dismissed.

e. Initial Public Offering (IPO)

Companies which will go public has not a market price, so they need to set the value of shares to be offered. This is caused the managers of going public companies to make earnings management to obtain higher prices on its shares.

f. The Importance of Giving Information to Investors

Information on the performance of the company should be submitted to the investor, so the reporting of earnings should be presented. The investors can assess that the company is in good performance.

The pattern of earnings management according to Scoot (2000) in Bandi & Rahmawati (2000) can be done by:

a. Taking a Bath

Taking a bath occurs during re-organization such as the appointment of a new CEO. This technique recognizes future costs and current period losses, requiring management to impose future cost estimates as a result of higher future earnings.

b. Income Minimization

Conducted at the time of the company experienced a high level of profitability so that if the earnings future period estimated to drop drastically can be overcome by taking earnings period earlier.

c. Income Maximization

Performed when earnings decreased. The action on income maximization aims to report high net income for larger bonus purposes. This pattern is done by the company to avoid a breach of the long-term debt contract.

d. Income Smoothing

A conducted company by way of leveling the reported earnings that can reduce the fluctuations in profits that are too large because investors generally such as a relatively stable profit.

e. Offsetting extraordinary or unusual gains

This technique is done by removing unusual or temporal earnings effects which are opposed to earnings trend.

f. Aggressive accounting applications

This technique are defined as misstatements and are used to divide earnings between periods.

g. Timing Revenue and Expense Recognition

This technique is done by making certain policies related to timing a transaction.

Earnings management techniques according to Rahmawati & Qomariyah (2000) can be done with three techniques, consists of:

a. Take advantage of opportunities to make accounting estimates.

The manner in which management affects earnings through judgements against accounting estimates is among other things,

estimates of bad debts, estimated warranty costs, amortization of intangible assets, and so on.

b. Change the accounting method.

Changes in accounting methods used to record a transaction, for example: change the depreciation of the year figure to a straight-line depreciation method.

c. Shifts the cost or earnings period.

The examples of engineering periods of cost or income include: speeding up or delaying promotional expenditures until the next period, delaying or accelerating delivery of products to customers, arranging for the sale of fixed assets that have not been used.

3. Agency Theory

The Agency Theory is the basis used to understand the issues of Corporate Governance and Earnings Management. Agency Theory leads to an asymmetric relationship between the owner (principal) and manager (agent), to avoid the asymmetric relationship, it needed a concept of Good Corporate Governance that aims to make the company become healthier. The implementation of Corporate Governance is based on agency theory can be explained by the relationship between management and the owners, management as the agent is morally responsible for optimizing the benefits of the owners and in return will get compensation in accordance with the contract.

Jensen & Meckling (1976: 305-360) stated that the agency relationship is a contract between the manager (agent) and the owner (principal). These relationships sometimes cause problems between agents and principals. The Principal wants a greater return on its investment in the company, while the agent wants a big compensation or incentive for its performance.

This results in the existence of two distinct interests within the enterprise in which each party seeks to achieve the desired prosperity, resulting in an information asymmetry between management and the owner that can provide an opportunity for managers to make earnings management in order to mislead the owner about the company's economic performance (Sefiana, 2009). Ujiyanto & Pramuka (2007) stated that agency theory uses three assumptions of human nature, namely: (1) people are generally self-interested, (2) human beings have limited thinking about the bounded rationality, 3) human always avoid risk (risk averse).

In particular, agency theory discusses the existence of agency relationships, where a principal delegate work to agent who does the job. The problem is that the principal can not verify whether the agent has done something appropriately. Then, the problem of risk sharing that arises when the principal and agent have different attitudes toward risk.

Agency theory implies the existence of information asymmetry. Asymmetry information occurs when managers have better understanding about internal information and future prospects than shareholders. The existence of such information gap, management has the opportunity to maximize their interests which one of them by doing earnings management. according to Scott (2002), there are two kind of asymmetry information :

a. Adverse Selection

Adverse selection is a type of asymmetry information where as one or more parties conducting a business transaction or a potential business transaction have more information on the other party.

b. Moral Hazard

Moral hazard is a type of asymmetry information where as one or more parties conducting a business transaction or a potential business transaction can observe their actions on the settlement of their transactions. Meanwhile, the other partties can not do this kind of work.

4. Company Size

Company size is basically the grouping of companies into several groups, including the large, medium and small companies. According to Husnan (2007: 45) company size is a scale used to classify the size of companies, and can be known in various ways,

among others, according to total log assets, stock market value and others. The size of the company seen from the value of equity, the value of sales or asset value (Riyanto, 2008: 313).

The classification of company size in accordance with *Undang undang No. 20 Tahun 2008* is divided into 4 category, namely micro, small, medium, and large. The criteria of company size are as follow:

Table 1. The Criteria of Company Size

Company Size	Criteria	
	Asset	Sales
Micro	Maximal 50 million	Maximal 300 million
Small	>50-500 million	>300 million-2.5 billion
Medium	>500 million-10 billion	2.5-50 billion
Large	>10 billion	>50 billion

Company is an organization established by an individual or group of people or other bodies whose activities are to perform production and distribution in order to meet the needs of the human economy. The size of a company is a scale or value by which a company can be classified by its size, by total assets, log size, stock value, and so forth. Basically the size of the company is only divided into three categories namely large companies, small, and medium.

Large companies have many advantages over small-sized companies. The first advantage is the size of the company can determine the level of ease of companies obtain funds from the capital market. Second, company size determines bargaining power in financial contracts. Thirdly, there is the possibility of a scale effect in

cost and return making larger companies earn more earnings (Sawir, 2004 : 101-102). Large companies have greater and wider access to creditors, so getting a loan will be easier because it says that the large company have a greater opportunity to win the competition or stay in the industry (Lisa & Jogi, 2013).

Company size can be measured by its total assets. This is because the total assets of large companies can be simplified by transforming them into natural logarithms (Ghozali, 2006). Sudarmadji & Sularto (2007) stated that total assets are used as a proxy of company size with the consideration that it is relatively more stable than the amount of sales and market capitalization. In this research, company size is measured by using total assets, that can be simplified into natural logarithms.

5. Leverage

Solvency or leverage ratio is the ratio used to measure the extent to which the assets of the company are financed by debt. This means how much debt burden borne by the company compared to its assets. In a broad sense, it is said that solvency ratios are used to measure the ability of the company to pay all its obligations, both short-term and long-term if the company is liquidated (Kasmir, 2008 : 151).

The benefits of leverage according to Kasmir (2008 :153) consists of:

a. To analyze the ability of the company's position against obligations to other parties.
b. To analyze the ability of a company to meet its fixed obligations (such as loan installments including interest)
c. To analyze the balance between the value of assets, especially fixed assets with capital.
d. To analyze how much the assets of the company are financed by debt.
e. To analyze how big corporate debt affects the management of assets.
f. To analyze or measure what part of each rupiah own capital is used as a guarantee of long-term debt
g. To analyze how much loan funds are immediately to be billed there are so many times own capital.

Usually the use of solvency or leverage ratio is adjusted to the company's goals. This means companies can use the leverage ratio in whole or in part from each type of solvency ratio that exists. The overall ratio usage means that all types of ratios are owned by the company, while some mean the company only uses some kind of ratio that it deems necessary to know. The types of solvency or leverage ratios (Kasmir, 2008) are as follows:

a. Debt to Asset Ratio (Debt Ratio)

Debt ratio is the ratio of debt used to measure the ratio of total debt to total assets. In other words, how much the assets of the company are financed by debt or how big the debt of the company affects the management of assets. The formula for finding Debt Ratio can be used as follows:

$$\text{Debt to Asset Ratio} = \frac{\text{Total Debt}}{\text{Total Asset}} \text{x } 100\ \%$$

b. Debt to Equity Ratio

Debt to Equity Ratio is the ratio used to assess debt with equity. This ratio is sought by comparing the entire debt, including current debt with the entire equity. The formula for finding debt to equity ratio can be used comparison between total debt with total equity as follows:

$$\text{Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Equity}} \text{x } 100\ \%$$

c. Long Term Debt to Equity Ratio

Long term debt to equity ratio is the ratio between long-term debt and own capital. The objective is to measure how much of each rupiah's own capital is used as a guarantee of long-term debt by comparing the long-term debt with the capital itself provided by the company. The formula for finding long term debt to equity ratio is to use the comparison between long-term debt and own capital, which are:

$$\text{Long Term DER} = \frac{\text{Long Term Debt}}{\text{Equity}} x\ 100\ \%$$

d. Times Interest Earned Ratio

This ratio shows the amount of guaranteed profit to pay interest on long-term debt. The formula for finding the times interest earned ratio is:

$$\text{TIER} = \frac{\text{Earning Before Interest Tax}}{\text{Long term Liabilities Interest}}$$

e. Long Term Debt to Non Current Asset

This ratio shows the comparison between long-term debt assets other than current assets. This ratio is commonly used to assess the solvency of the company with an average standard used by 50% or 1: 2.

f. Tangible Assets Debt Covarage (TADC)

This ratio is used to determine the ratio between fixed assets with long-term debt, meaning that this ratio shows each dollar of tangible assets used to guarantee its long-term debt.This ratio also indicates the ability of companies to seek new loans with the assurance of existing fixed assets. The higher this ratio the greater the existing guarantees and long-term creditors are more secure or secure and the greater the ability of companies to seek loans. This ratio is usually at least 100% or 1: 1 which is that Rp 1 long-term debt is guaranteed by Rp 1 existing fixed assets. The formula for finding tangible assets debt coverage is:

$$\text{TADC} = \frac{\text{Fixed Asset}}{\text{Long Term Liabilities}}$$

g. Current Liabilities to Net Worth

This ratio indicates that the loan funds that will soon be billed there are many times their own capital. So, this ratio is the ratio of current debt with own capital. The purpose of this ratio is to find out how much part of the capital itself is used as a guarantee of current debt. The smaller the ratio is the better because the existing capital in the company more and more large to ensure the current debt in the company. The lowest limit of this ratio is 100% or 1: 1.

$$\text{Current Liabilities to Net Worth} = \frac{\text{CL}}{\text{Equities}}$$

Leverage shows how much the level of assets financed by debt. The level of leverage can be known through the ratio of total debt to total assets. Companies that have large debts have a tendency to violate debt agreements when compared with companies that have smaller debt (Mardiyah, 2005).

The companies that break the debt agreements potentially have a possibilities tendency such as the possibility of accelerated maturity, increased interest rates, and renegotiations of debt agreements (Herawaty & Baridwan, 2007). Leverage is usually used to describe a company's circumstances or ability to use assets or funds that have a fixed burden to increase the income level for the owner of the

company. When the company has a high leverage ratio, then the company has a high debt value. Thus, companies with high leverage ratios mean a higher proportion of debt compared to the proportion of their assets and will tend to manipulate in the form of earnings management.

6. Corporate Governance Mechanism

According to the Forum for Corporate Governance in Indonesia (2006) corporate governance is a set of rules governing relationships between shareholders, managers of companies, creditor, governments, employees and other internal and external rights holders, or in other words a system that regulates and controls the company. Corporate governance includes the relationship between the involved stakeholders and the objectives of the management of the company. The main parties in corporate governance are shareholders, management, and board of directors. Other stakeholders include employees, suppliers, customers, banks and other creditors, regulators, the environment, and society.

The benefits of corporate governance according to the Forum for Corporate Governance in Indonesia (2006) consists of:

a. Improve the company performance through the creation of better decision-making process.
b. Improve the operational efficiency of the company and further improve the service to stakeholders.

c. Facilitate the acquisition of financing funds cheaper so as to increase corporate value.

d. Restoring investor confidence to invest in Indonesia.

e. Shareholders will be satisfied with the company's performance as it will increase shareholder value and dividends.

The basic principles of good corporate governance adopted by Forum for Corporate Governance in Indonesia (2006) are as follows:

a. Fairness

Ensure fair and equal treatment in fulfilling the rights of stakeholders arising under applicable agreements and laws and regulations. This principle emphasizes that all parties, i.e. both minority and foreign shareholders must be treated equally.

b. Transparency

Requiring an open, accurate and timely information on all matters that are important to the performance of the company, ownership, and stakeholders.

c. Accountability

Describe the functions, structure, system and corporate organ liability so that the management of the company is done effectively. This principle affirms management's accountability to the company and its shareholders.

d. Responsibility

Ensure compliance white the management of the company against healthy corporations and applicable laws and regulations. In this case, the company has a social responsibility to the community or stakeholders and avoids abuse of power and leads to business ethics while maintaining a healthy business environment.

Mechanism is the way things works systematically to meet certain requirements. Corporate governance mechanism is a clear procedure and relationship between decision-making parties and those who exercise control or oversight of decisions. There are several corporate governance mechanisms that are often used in research to determine the effect on earnings management, consists of Independent Board of Commissioners and Audit Quality. According to Rahmawati & Hanung (2007) the proxies of corporate governance mechanisms consists of increasing managerial ownership, increasing institutional ownership, independent commissioners and audit committee.

a. Independent Board of Commissioners

Independent Boards of Commissioner is a member of the Board of Commissioners from outside the Issuer or Public Company and meets the requirements as an Independent Boards of Commissioner in accordance with *Peraturan Otoritas Jasa Keuangan No. 33/ POJK. 04/ 2014.* Independent Boards of

Commissioner is a mechanism that is responsible for supervising and guiding the management of the company. In general, the board of independent commissioners is responsible for overseeing the performance of the company's management, and the realization of accountability. The duties of an independent board of commissioners are to supervise and advise the board of directors and ensure that the company has carried out the responsibilities to its stakeholders.

Independent Boards of Commissioners aim to balance in decision-making especially in the framework of the protection of minority shareholders and other parties concerned. However, the appointment of an independent board of directors by the company may be made only for regulatory compliance but not intended to enforce Good Corporate Governance (GCG) within the company (Wawo, 2010). The existence of an independent boards of commissioner in a company may affect the integrity of a financial statement produced by management. If the company has an independent boards commissioner then the financial statements presented by management tend to be more integrity, because within the company there is a body that oversees and protects the rights of external parties.

b. Audit Quality

Audit quality can be measured using the Public Accounting Firm size (Big Four and Non Big Four). Siregar & Utama (2002) stated that larger companies are assumed to conduct audits that are more equitable than smaller Public Accounting Firm, because of the tendency to be more careful in conducting audits, including performing standard audit procedures. The auditor is responsible for providing high quality information that is useful for decision-making. Big Four will tend to publish a going concern audit opinion if the client has a problem concerning going concern company (Junaidi & Hartono, 2010: 7).

DeAngelo (1981) has theoretically analyzed the relationship between audit quality and the size of the Public Accounting Firm. He argued that a large auditor would have more clients and a total fee would be allocated among his clients. The research also argues that large auditors will be more independent, and therefore, will provide a higher quality of audit. Auditor size is related to audit quality. The large economics of scale Public Accounting Firm will provide strong incentives to comply with SEC rules as a way of developing and marketing the Public Accounting Firm's expertise (Dewayanto, 2011: 90).

The following are the names of Public Accounting Firm in Indonesia included in the Big Four ranks:

1) Purwantono, Suherman & Surja affiliated with Ernst and Young International.
2) Tanudireja, Wibisana & associates affiliated with Price Waterhouse Coopers.
3) Siddharta and Widjaja are affiliated with Klynveld Peat Marwick Goeldner (KPMG) International.
4) Osman, Bing, Satrio, and colleagues affiliated with Deloitte Touche and Tohmatsu.

Research conducted by Gramling et al. (2001) stated that the use of industry auditor specialization may recognize earnings management, prediction errors and the ability to predict future cash flows. It means that the company's earnings audited by the auditor industry specialization has more accurate prediction of future cash flows compared to non-industry specialist auditors.

c. Managerial ownership

Managerial ownership is the ownership of a company's shares by the management. With managerial ownership, management not only functions as a company manager, but also as a shareholder. In general, it can be stated that a certain percentage of managerial ownership tends to influence earnings management action (Boediono, 2005). According to Jensen & Meckling (1976) in

Indriastuti (2012) stated that earnings management can be minimized by aligning different interests between owner and management by enlarging the ownership of the company's shares by managerial ownership.

Managerial ownership can align the interests of the agent with principal, because managers share the immediate benefits of decisions taken and managers who run the risk of losses arising as a consequence of wrong decision-making. It states that the greater the proportion of management ownership in the company will be able to unify the interests of managers with shareholders, so that the performance of company is better (Jensen, 1986). Managerial ownership can be associated with agency theory. Managers and shareholders will increase the value of the company, because with the increased value of the company then the value of his wealth as individual shareholders will also increase as well.

In terms of agency theory, managerial ownership is considered as a solution to the problems that occur between agents and principals. Earnings management is largely determined by the motivation of managers. Different motivations will result in different levels of earnings management, such as between managers who are also shareholders and managers who are not shareholders. Two of these will affect earnings management, because the ownership of a manager will participate in determining policy and

decision-making on accounting methods applied to the companies they manage.

B. Relevant Research

The Research on earnings managament had been done. The researches as follows:

1. Research conducted by Purnama (2017: 1-14)

   This research entitled The Effect of Profitability, Leverage, Firm Size, Institutional Ownership and Managerial Ownership of Earnings Management. Empirical Studies in Manufacturing Companies listed on IDX from 2010-2015. The research showed the following results :

   a. Profitability have a positive and significant effect on earnings management
   b. Firm Size and Managerial Ownership have a negative effect on earnings management
   c. Leverage and Institutional Ownership have no effect on earnings management

   The similarity between this research and the research conducted by Purnama are the use of independent variable in the form of Company Size, Leverage, Managerial Ownership and the use of dependent variable in form of Earnings Management (Modified Jones Method). The data analysis technique used Multiple Linier Regression Analysis.

The difference of research conducted by Purnama with this research are the uses of independent variabel in the form of Profitability. While, in this research used Company Size, Leverage, Auditor Quality, and Managerial Ownership as an independent variable. The period of the research also different, the research conducted by Purnama used the period during 2010-2015, then this research 2014-2016.

2. Research conducted by Firmansyah, Pratomo & Yudowati (2016: 1552)

This research entitled The Influence of Independent Commisioner and Audit Commitee to Earnings Management. Empirical Studies in Manufacturing Companies, Food and Beverage Sub Sector Listed on IDX 2010-2013. The research showed the following results :

a. Independent Boards of Commisioner and Audit Committee has a simultaneously influence on Earnings Management
b. Independent Boards of Commisioners has a significant influence on Earnings Management
c. Audit Committee has no significant influence on Earnings Management

The similarity between this research and the research conducted by Firmansyah, Pratomo & Yudowati are the use of independent variable in the form of Independent Boards of

Commissioner, the use of dependent variable in form of Earnings Management (Modified Jones Method), and the sample of the research.

The difference of research conducted by Firmansyah, Pratomo & Yudowati with this research are the uses of independent variabel in the form of Audit Commitee. While, in this research used Company Size, Leverage, Audit Quality, and Managerial Ownership as a independent variable. The data analysis technique usedis panel data regression by software Eviews 8.0. Beside, in this research used multiple linear regression. The period of the research also different, the research conducted by Firmansyah, Pratomo & Yudowati used the periode during 2010-2013, then this research 2014-2016.

3. Research conducted by Pradito & Rahayu (2015: 3237)

This research entitled The Influence of Independent Boards of Commisioner, Firm Size, and Leverage for Earnings Management. Empirical Studies in Manufacturing Industry Listed on IDX 2011-2013. The research showed the following results :

a. Independent Boards of Commissioner, Firm Size, and Leverage has a simultaneously influence on Earnings Management
b. Independent Boards of Commissioner and Firm Size has no influence on Earnings Management
c. Leverage has positive and significant influence on Earnings Management

The similarity between this research and the research conducted by Pradito & Rahayu are the use of independent variable in the form of Independent Boards of Commissioner, Firm Size and Leverage. The use of dependent variable in form of Earnings Management (Modified Jones Method).

The difference of research conducted by Pradito & Rahayu with this research are the uses of independent variabel in the form of Audit Quality, and Managerial Ownership. The data analysis technique used is panel data regression by software Eviews 8.1. Beside, in this research used multiple linear regression. The periode of the research also different, the research conducted by Pradito & Rahayu used the periode during 2011-2013, then this research 2014-2016.

4. Research conducted by Putri & Titik (2014: 238)

   This research entitled The Influence of Managerial Ownership, Leverage, and Firm Size to Earnings Management of Food and Beverage Companies. Empirical Studies in Food and Beverage Companies Listed on IDX 2008-2013. The research showed the following results :

   a. Managerial Ownership and Leverage has no positive and significant influence on Earnings Management
   b. Firm Size has no negative and significant influence on Earnings Management

c. Managerial Ownership, Leverage, Firm Size has no simultaneously influence on Earnings Management.

The similarity between this research and the research conducted by Putri & Farida are the use of independent variable in the form of Managerial Ownership, Leverage, and Firm Size. The use of dependent variable in form of Earnings Management (Modified Jones Method).

The difference of research conducted by Putri & Farida with this research are the uses of independent variabel in the form of Independent Boards of Commissioner and Audit Quality. The data analysis technique used is panel data regression. Beside, in this research used multiple linear regression. The periode of the research also different, the research conducted by Putri & Titik used the periode during 2008-2013, then this research 2014-2016.

5. Research conducted by Ningsaptiti (2010)

This research entitled Analysis Effect of Company Size And Corporate Governance Mechanism on Earnings Management. The population of this research is 143 companies in the manufacturing sector which were listed in Indonesian Stock Exchange (IDX). The research data were collected from the financial statement of manufacturing companies during 2006-2008. Based on purposive sampling method, there are 37 samples. The reseacrh hypotesis were

tested using multiple regression analysis. The research showed the following results :

a. The Company Size has significant effect on Earnings Management.
b. The Concentration of Ownership has a significant effect on Earnings Management.
c. The Composition of Board Commissioners have not a significant effect on Earnings Management.
d. The Auditor Industry Specialization has a significant effect on Earnings Management.
e. The Audit Committee Composition have not a significant effect on Earnings Management.

The similarity between this research and the research conducted by Ningsaptiti are the use of dependent variable in form of Earnings Management (Modified Jones Method) and the use of Multiple Regression Analysis. The difference of research conducted by Ningsaptiti with this research are the use of independent variable in form of Leverage. In this research uses natural logaritma of asset as a proxy to calculated Company Size, while the research conducted by Ningsaptiti by natural logaritma of net sales. Good Corporate Governance (Concentration of Ownership and Composition of Audit Committe), while in this research, Corporate Governance (Independent Board of Commisioners, Audit Quality, and Managerial Ownership).

The population of this research is Manufacturing Companies of Food and Beverage Sub-sector listed on IDX during 2014-2016. While, the reseach conducted by Ningsaptiti uses population of Manufacturing Companies listed on IDX during 2006-2008.

C. Conceptual Framework

1. The Effect of Company Size on Earnings Management

Company size is the scale used in determining the size of a company (Sari, 2009: 128). There are various proxies that are typically used to represent the size of a company, such as number of employees, total assets, and total sales. The large companies are more concerned with the community, so they are more cautious in doing financial reporting. Then, the companies should be report the condition more accurate.

The Large companies have a special attention from external parties. This is because the large companies can generate big earnings as well. Sawir (2004) state that the size of the company can determine the level of ease of companies obtain funds from the capital market. The size of the company also determines the bergaining power of financial contract.

The research conducted by Herlambang & Darsono (2015: 1-11) show that company size has a negative and significant effect on earnings management. This is indicated that the larger company size, the less earnings management. Therefore, it can be concluded that

company size has a negative and significant effect on earnings management.

2. The Effect of Leverage on Earnings Management

Leverage as an estimator of the inherent risk of the company. When the company has a high leverage ratio, it indicates that the company is not solvable, its total debt is greater than its total asset (Kasmir, 2013: 16). Since leverage is a ratio that calculates how much funding the creditors provide, as well as the ratio that compares the total debt to the total asset of a company. If the investor sees a company with high assets but the risk of leverage is also high, it will think twice to invest at the company. Management's decision try to keep the leverage ratio from rising.

The magnitude of leverage can affect the earnings management action. Husnan (2001) states that high leverage caused by mismanagement in managing corporate finance or improper implementation of strategy from the management. Due to the lack of supervision leading to high leverage, it will also increase the oppurtunistic actions such as earnings management to maintain the performance of shareholders and the public.

Referring to the debt covenant hypothesis which states that if a company deviates from a debt agreement that has been made based on earnings, the more likely management of the company chooses accounting procedures that shift the accounting earnings from the next

period to the current period (Watt & Zimmerman, 1986) in Naftalia (2013).

The research conducted by Naftalia & Marsono (2013: 1-8) found that leverage has a significant effect on earnings management. These result indicates that company with high leverage ratios mean higher proportion of debt compares to the proportion of assets will tend to manipulate in the form of earnings management. Incresead leverage will lead to improved earnings management practices. Therefore, it can be concluded that leverage has a positive and significant effect on earnings management.

3. The Effect of Independent Board of Commissioners on Earnings Management

Board of commissioners as the top of the company's internal management system have a important role in the company, especially in the implementation of good corporate governance. Independent Boards of Commissioner is a member of the boards commissioners from outside the issuer or public company and meets the requirments as an independen boards commissioners accordance with *Peraturan Otoritas Jasa Keuangan no. 33/POJK. 04/2014.*

According to Klein (2002) The Board of Commissioners who come from outside the company or outside director may influence the action of earnings management. Higher number of independent commissioners, the more controlling action that can reduce the action

of earnings management. Therefore, it can be conclude that independent boards of commissioner have a negative and significant effect on earnings management.

4. The Effect of Audit Quality on Earnings Management

Meutia (2004) defines audits as a process to reduce the misalignment of information between managers and shareholders by using external parties to authorize the financial statements. DeAngelo (1981) defines Audit Quality as a combined probability for detecting and reporting material errors in financial statements. Audit quality is seen as an ability to enhance the quality of corporate financial reporting. With high audit quality is expected to increase the confidence of the investors. Audit quality is proxied by Public Accounting Firm Size (Big Four and Non Big Four).

Herusetya (2009) state that when the company using the Public Accounting Firm (Big Four), the Audit Quality is high, then the Earnings Management that occurred in the company is low. In addition to Indonesia, Rusmin (2010) in all non-financial corporations in Singapore in 2003 found the Size of Public Accounting Firm negatively related to Earnings Management. Therefore, it can be conclude that audit quality has a negative and significant effect on earnings management.

5. The Effect of Managerial Ownership on Earnings Management

Managerial Ownership is the amount of shares owned by company's management. The different motivations will result in different levels of earnings management, such as between managers who are shareholders and managers who are not shareholders. A certain percentage of ownership by management tends to affect earnings management (Boediono, 2005). When the ownership of shares owned by the manager then the manager will act in line with the interests of shareholders, it can minimize the opportunist behavior of managers. In low stock ownership, incentives for possible opportunistic behavior of managers will increase (Shleifer & Vishny, 1986) in Herawaty (2008). Therefore, it can be conclude that managerial ownership has a negative and significant effect on earnings management.

D. Research Paradigm

From the theoritical review and relevant research above, then in this research used the frame of thought as follow :

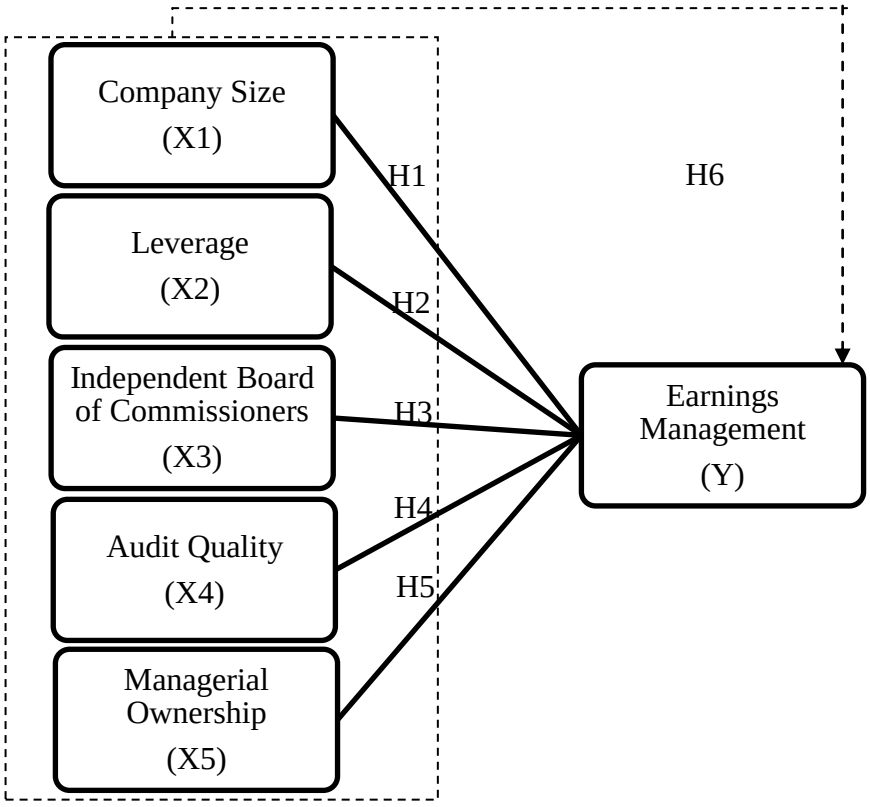

Figure 1. Research Paradigm

Information :

——————→ The effect of independent variable interaction partially to the dependent variable.

- - - - - - - - - → The effect of independent variable interaction simultaneously to the dependent variable.

E. Research Hypothesis

Based on the description of the critical theory and conseptual framework, it can be formulated the hypothesis as follow :

1. H1 : Company Size has a negative and significant effect on Earnings Management.
2. H2 : Leverage has a positive and significant effect on Earnings Management.
3. H3 : Independent Board of Commissioner has a negative and significant effect on Earnings Management.
4. H4 : Audit Quality has a negative and significant effect on Earnings Management.
5. H5 : Managerial Ownership has a negative and significant effect on Earnings Management.
6. H6 : Company Size, Leverage, Independent Board of Commissioners, Audit Quality, and Managerial Ownership simultaneously has a significant affect on Earnings Management.

CHAPTER III
RESEARCH METHODS

A. Types of Research

This type of research is a causal associative, there is a causal relationship between two variables as dependent variable and independent variable. Causal design is useful for measuring relationships between research variables or useful for analyzing how one variable affects other variables (Umar, 2003).

The type of data used in this research is secondary data, namely financial statement on manufacturing companies listed in Indonesia Stock Exchange during 2014-2016. Secondary Data is a source of data obtained by researchers directly through intermediaries. Secondary data are generally in the form of published, unpublished evidence, records or historical reports (Indrianto & Supomo, 2002).

B. The Research Schedule

This research uses secondary data taken from The Financial Statements of Manufacturing Companies of Food and Beverage Sub Sector listed in Indonesia Stock Exchange during 2014-2016. This research have been conducted in November 2017 until February 2018.

C. Population and Sample Research

1. Population

   According Sugiyono (2010) Population is a generalization region consisting of objects or subjects that have certain qualities and

characteristics set by researchers to be studied and then drawn conclusions. The population of this research is all financial statements from Manufacturing Companies of Food and Beverage Sub Sector listed in Indonesia Stock Exchange during 2014-2016.

2. Samples

The samples is part of the number and characteristic possessed by the population (Sugiyono, 2010). Roscoe's Simple Rules Of Thumb state that in most ex post facto research, samples of 30 or more are recommended (Hill, 1998: 3-4). In this research, there are 16 companies have been available. The samples in this research is done by using purposive sampling method, that is determination of sample based on suitability of certain characteristics and criteria. The characteristics and criteria are as follows:

a. Manufacturing Companies of Food and Beverage Sub Sector listed in Indonesia Stock Exchange (IDX) during 2014-2016.
b. Companies that publish annual financial statements for the period of December 31, 2014-2016 which have been audited.
c. The company has complete data of Company Size, Leverage, Independent Board of Commissioners, Audit Quality, Managerial Ownership, and the data to detect Earnings Management (Net Income, Cash Flow, etc).

D. Operational Definition Variable

1. Dependent Variable

Dependent variable is the variable that influenced or which become result because of the independent variable (Sugiyono, 2010). The dependent variable in this research is earnings management measured through discretionary accrual proxies. Earnings management is a condition in which management intervenes in the process of preparing financial statements for external parties so as to level, raise, and lower earnings reporting. The measurement of earnings management using the discretionary accrual proxy (DAC) using the modified Jones model (Dechow et.al, 1995: 193-225).

This accounting model is a recording that makes the accrual component easy to manipulate, and this model is used because it is considered the best model in detecting earnings management (Sulistyanto, 2008). Earnings management can be measured through discretionary accruals calculated by way of excluding total accruals (TAC) and nondiscretionary accruals (NDA). The calculation are as follows:

a. Measure the total accrual by using modified Jones model.

TAC = NIit – Cfit

Information :

TAC = Total Accruals

NIit = Net Income from company i on t period

CFit = Operating Cash Flow from company i on t period

b. Calculates the accruals value estimated with the OLS (Ordinary Least Square) regression

$$TACt / TAt\text{-}1 = (\beta)1\ (1/TAt\text{-}1) + (\beta)2(\Delta\ REVt / TAt\text{-}1) + (\beta)\ 3\ (PPEt / TAt\text{-}1) + e$$

Information:

TACt = total accruals in period t

TAt-1 = total assets of period t-1

(Δ)REVt = change of revenue in period t

PPEt = property, plan, and equipment period t

(β)1,(β)2,(β)3 = regression coefficient

e = error term (Error)

c. Calculating the nondiscretionary accruals model (NDA)

$$NDTACt = (\beta)1\ (1/TAt\text{-}1)+(\beta)2\ [(\Delta\ REVt - \Delta\ RECt) / TAt\text{-}1] + (\beta)\ 3\ (PPEt/TAt\text{-}1) + e$$

Information:

NDTACt = non accrual discretionary in year t

TAt-1 = total assets of period t-1

(Δ) REVt = change of revenue in period t

(Δ) RECt = change of accounts receivable in period t

PPEt = property, plan, and equipment period t

(β)1,(β)2,(β)3 = fitted coefficient obtained from the regression result on the total accrual calculation

e = error term

d. Calculating Total Accrual Discretionary

DTACt = (TACt /TAt-1) – NDTACt

Information:

DTACt = total discretionary accrual year t

TACt = total accruals year t

TAt-1 = total assets of period t-1

NDTACt = non accrual discretionary in year t

2. Independent Variables

The independent variables in this research are Company Size, Leverage and Corporate Governance Mechanism. The proxies to be used in measuring Corporate Governance include, Independent Boards of Commissioner, Audit Quality, and Managerial Ownership.

a. Company Size

Company size can use asset benchmarks. This is because the total assets of companies can be simplified into natural logarithms (Ghozali, 2006). Company size can be calculated by:

Company Size = Natural Log (Total Assets)

b. Leverage

The leverage is the ratio of total debt of the company to the total assets owned by the company and showing how much the company depends on the creditor in the equity financing of the company. Leverage can be calculated by:

$$\text{Leverage} = \frac{\text{TLt}}{\text{TAt}}$$

Information :

TL = Total debt in period – t

TA = Total assets in the period – t

c. Independent Board of Commissioners

The existence of an independent commissioner in a company may affect the integrity of a financial statement produced by management. If the company has an independent commissioner then the financial report presented by management tend to be more integrity. An Independent Board of Commissioners at least 30% (thirty percent) of the total members of the Board of Commissioners, has fulfilled the guidelines of Good Corporate Governance in order to maintain independence, effective and right decision making. The proportion of Independent Board of Commissioners are calculated by dividing the number of Independent Board of Commissioners with total members of the Board of Commissioners (Veronica, 2005).

$$\text{IBC} = \frac{\text{The number of IBC}}{\text{Total member of IBC}}$$

Information :

IBC = Independent Board of Commissioners

d. Audit Quality

The measurement of Audit Quality in this research using the size of Public Accounting Firm. If the company is audited by a large Public Accounting Firm (Big Four) then the audit quality is high and if audited by Public Accounting Firm (Non Big Four) then the audit quality is low. Audit quality in this research is measured by non-metric (ordinal) data, with a value of 1 if audited by Big Four and 0 if audited by Non Big Four.

e. Managerial Ownership

Managerial Ownership is the amount of shares owned by management of total shares outstanding (Herawaty, 2008). In this research, Managerial Ownership is measured by using dummy variable that is value 1 for companies that have Managerial Ownership and value 0 for companies with no Managerial Ownership.

E. Data Collection Techniques

The data were collected using literature study method and documentation. Library study is done by processing literature, articles, journals or other written media related to the topic of discussion of this research. While the documentation is done by collecting the sources of documentary data such as the company's annual report into the sample research.

F. Data Analysis Techniques

1. Descriptive Statistics Analysis

   Descriptive statistical analysis is provide information or description of data viewed from mean, standard deviation, maximum, and minimum (Ghozali, 2011: 19). Mean is used to know the average of the data concerned. Standard deviation is used to find out how large the data concerned vary from average. Maximum used to know the largest amount of data in question. Minimum is used to determine the smallest amount of data.

2. Classic Assumption Test

   Classic assumption test is required to test the hypothesis by using multiple regression analysis. There are used :

   a. Normality Test

      The normality test aims to test whether the dependent and independent variables in the regression model are normally distributed (Ghozali, 2011: 160). One way to look at the residual normality is to use the Kolmogorov-Smirnov One-Sample statistical test. Data can be considered normal if the probability of a variable significance is above the 0.05 trust level. In this research to test data normality used One Sample Kolmogrov-Smirnov Test. In thistest, variables that have (probability <0.05) means that the variables are not normally distributed.

b. Multicolonierity Test

Multicollonearity test aims to test whether the regression model found a correlation between independent variables. A good regression model should not be correlated between independent variables. To detect the presence or absence of multicollinearity in the regression model can be seen from the tolerance and variance inflation factor (VIF). The limit value used in this study is the tolerance value approaching 1 or equal to the VIF value around the number 10. Symptoms of multicolonierity will be identified if the VIF is greater than 10 (Ghozali, 2011: 105-106).

c. Heteroscedasticity Test

The heteroskedasticity test aims to test in the regression model there is a variance or inequality variant of the residual one observation of another observation. A good regression model is no heteroscedicity or homocedasticity (Ghozali, 2011: 139). To detect the presence or absence of heteroskesdasticity, this study used Park Test. The basis of desicion-making in the Park Test is if the significance value more than 0.05 then there is no problem heteroscedasticity.

d. Autocorrelation Test

The autocorrelation test aims to test whether in the linear regression model there is a correlation between the confounding error in period t with the intruder error in period t-1 (previous).

Autocorrelation arises because consecutive observations over time are related to each other. A good regression model is one that does not contain autocorrelation problems (Ghozali, 2011: 110). To detect the presence or absence of autocorrelation by using Durbin-Watson test (DW Test). The basis of desicion-making in the DW Test is if dU<d<4-dU then the regression model does not contain autocorrelation.

3. Hypothesis Test

a. Simple Regression Analysis

The step of simple linear regression analysis are as follows:

1) Simple Linear Regression Equation

According to Sugiyono (2016: 247), the formula is as follow:

$Y' = a + bX$

Information:

Y = Predicted Value

a = Constant

b = Regression Coefficient

X = Independent Variable Value

The equation can be constructed if the value of a and b have been found. This equation is used to explain how the value of the dependent variable will occur if the value of independent variable is set.

2) Coefficient of Determination (R^2)

The Coefficient of Determination (R^2) is used to measure the ability of the model to explaining the variation of dependent variable that used. The coefficient of determination (R^2) is between zero and one. The small value of R^2 means that the ability of the independent variables to explain the dependent variable is very limited. If the coefficient of determination is equal to zero, then the independent variable has no effect on the dependent variable. If the magnitude of the coefficient of determination close to 1, then the independent variable has a perfect effect on the dependent variable. Using this model, the minimization error is minimized so that R^2 approaches 1, so regression estimates will be closer to the actual situation (Ghozali, 2011 : 97).

3) Significance Test with t Statistical Test

The t statistical test or t test is used to explain how far the effect of one variable individually in explaining the variation of the dependent variable (Ghozali, 2011: 98). The basis of decision making in t test is by comparing the value of t_{count} with the value of t_{table}. If the value of t_{count} is equal or greater than t_{table} with a significance level of 5%, then the independent variable individually significantly affect the dependent variable. Besides, if the value of t_{count} is smaller than t_{table} with significance level of 5

%, the independent variable individually does not significantly affect the dependent variable.

b. Multiple Regression Analysis

The step of multiple linear regression analysis are as follows:

1) Multiple Linear Regression Equation

According to Sugiyono (2016: 253), the formula is as follow:

$Y' = a + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + b_5x_5$

Information:

Y = Earnings Management

a = Constant

b_{1-4} = Regression Coefficient

x_1 = Company Size

x_2 = Leverage

x_3 = Independent Boards of Commissioner

x_4 = Audit Quality

x_5 = Managerial Ownership

2) Coefficient of Determination (R^2)

The Coefficient of Determination (R^2) is used to measure the ability of the model to explaining the variation of dependent variable that used. The coefficient of determination (R^2) is between zero and one. The small value of R^2 means that

the ability of the independent variables to explain the dependent variable is very limited. If the coefficient of determination is equal to zero, then the independent variable has no effect on the dependent variable. If the magnitude of the coefficient of determination close to 1, then the independent variable has a perfect effect on the dependent variable. Using this model, the minimization error is minimized so that R^2 approaches 1, so regression estimates will be closer to the actual situation (Ghozali, 2011 : 97).

3) Simultaneous Significance Test (Test Statistic F)

The F statistic test is used to determine whether all the independent variables included in the regression model have a simultaneous effect on the dependent variable (Ghozali, 2011 : 98). The basis of decision making in F test is by comparing the value of F_{count} with the value of F_{table}. If the value of F_{count} is equal or greater than F_{table} with a significance level of 5%, then the independent variable simultaneously and significantly affect the dependent variable. Besides, if the value of F_{count} is smaller than F_{table} with significance level of 5 %, the independent variable simultaneously does not significantly affect the dependent variable.

CHAPTER IV
RESEARCH RESULT AND DISCUSSION

A. Description of Data

This research used a secondary data in the form of audited financial statements. The financial statements are obtained from the official website of Indonesia Stock Exchange namely www.idx.co.id. The population in this research is manufacturing company of food and beverage sub sector listed on IDX 2014-2016. The amount is 39 companies. The sample that used in this research is purposive sampling technique. Based on the criteria that have been determined, then obtained the number of samples of 13 companies. Here are the population and sample selection data:

Table 2. Selection of Population and Sample

No	Information	Amount
1.	Food and beverage companies listed on IDX 2014- 2016.	16
2.	The companies that do not have the necessary data in this research.	(3)
The amount of samples in 1 period		13
The amount of samples in 3 periode (13 x 3)		39

Source : The Result of Secondary Data.

Table 3.The List of Sample of the Research

No	Code	Name
1	AISA	Tiga Pilar Sejahtera Food Tbk
2	ALTO	Tri Banyan Tirta Tbk
3	CEKA	Wilmar Cahaya Indonesia Tbk (d.h Cahaya Kalbar Tbk)
4	DLTA	Delta Djakarta Tbk
5	ICBP	Indofood CBP Sukses Makmur Tbk
6	INDF	Indofood Sukses Makmur Tbk
7	MLBI	Multi Bintang Indonesia Tbk
8	MYOR	Mayora Indah Tbk
9	PSDN	Prashida Aneka Niaga Tbk
10	ROTI	Nippon Indosari Corporindo Tbk
11	SKBM	Sekar Bumi Tbk
12	SKLT	Sekar Laut Tbk
13	ULTJ	Ultrajaya Milk Industry and Trading Company Tbk

Source : The Result of Secondary Data.

B. The Result of Descriptive Statistics Analysis

Table 4. Descriptive Statistics

Variable	N	Min	Max	Mean	Std. Deviation
EM	39	-1.0176	15.6532	0.605623	2.7800921
SIZE	39	26.5271	32.1510	28.733172	1.5363777
LEV	39	0.0002	0.7518	0.466872	0.1801127
IBC	39	0.2000	0.4286	0.343053	0.525989
AQ	39	0	1	0.54	0.505
MO	39	0	1	0.54	0.505
Valid N	39				

Source : The Result of Secondary Data.

a. Earnings Management

In order to conduct the frequency distribution of Earnings Management, the steps were as follows:

1) Determine the total class interval

K= 1 + 3.3 (log n)

K= 1 + 3.3 (log 39)

K= 1 + 3.3 (1.59)

K= 1 + 4.77

K= 5.77 rounded up to K=6

2) Determine the class range

Class range = Maximum-Minimum

=15.65-(-1.017)

=16.66

3) Determine the class interval length

$$Class\ Interval\ Length\ = \frac{Range}{Number\ of\ class\ interval}$$

$$= \frac{16.66}{6}$$

$$= 2.83$$

Frequency distribution of Earnings Management could be seen in the table below:

Table 5. Frequency Distribution of Earnings Management

No	Interval	Frequency	Frequency Relative
1	-1.01-1.82	37	95%
2	1.83-4.66	0	0
3	4.67-7.5	0	0
4	7.6-10.43	1	2,5%
5	10.44-13.27	0	0
6	13.28-16.11	1	2,5%
7	Total	39	100%

Source: The Result of Secondary Data

The data of Earnings Management could be categorized on the following criteria bellow:

1) High Category = (>iM + 1 iSD)
2) Medium Category = (iM-1 iSD) until (iM + 1 iSD)
3) Small Category = (iM – 1 iSD)

The formula to calculate Ideal Mean (iM), Ideal Standard Deviation (iSD), High, Medium, and Low Category are as follows:

1) Ideal Mean (iM) = ½(Maximum+Minimum)
   = ½(15.65-1.01)
   =7.32
2) Ideal Standard Deviation = 1/6(Maximum-Minimum)
   =1/6(15.65+1.01)
   =2.8
3) High Category =>(iM+1 iSD)
   =>(7.32+2.8)

=>10.12

4) Medium Category =iM- 1 iSD until iM+ 1 iSD

=4.52 until 10.12

5) Low Category =<(iM- 1 iSD)

=<4.52

Based on the calculation, the frequency distribution tendency of Earnings Management could be seen in the table bellow:

Table 6. Tendency Category of earnings Management

No	Interval	Frequency	Frequency Relative	Category
1	>10.12	1	2.5%	High
2	4.52 - 10.12	1	2.5%	Medium
3	<4.52	37	95%	Low
4	Total	39	100%	

Source: The Result of Secondary Data

Based on table 6, it shows that there are 1 sample (2.5%) in the high category, 1 sample (2.5%) in the medium category, and 37 samples (95%) in the low category. Therefore, it can be concluded that Earnings Management in Food and Beverage Companies listed on IDX 2014-2016 are in the low category.

b. Company Size

Frequency distribution of Company Size could be seen in the table below:

Table 7. Frequency Distribution of Company Size

No	Company Size	Asset	Frequency	Frequency Relative
1	Small	>50-500 million	1	7%
2	Medium	>500 million- 10 billion	9	70%
3	Large	>10 billion	3	23%
4	Total		13	100%

Source: The Result of Secondary Data

Based on table 7 , it shows that there are 3 company (23%) in the large category, 9 companies (70%) in the medium category, and 1 company (7%) in the small category. Therefore, it can be concluded that Company Size in Food and Beverage Companies listed on IDX 2014-2016 are dominated by companies in medium size.

c. Leverage

In order to conduct the frequency distribution of Leverage, the steps were as follows:

1) Determine the total class interval

K= 1 + 3.3 (log n)

K= 1 + 3.3 (log 39)

K= 1 + 3.3 (1.59)

K= 1 + 4.77

K= 5.77 rounded up to K=6

2) Determine the class range

Class range = Maximum-Minimum

=0.75-0.0002

=0.74

3) Determine the class interval length

$$Class\ Interval\ Length\ = \frac{Range}{Number\ of\ class\ interval}$$

$$= \frac{0.74}{6}$$

$$= 0.12$$

Frequency distribution of Leverage could be seen in the table below:

Table 8. Frequency Distribution of Leverage

No	Interval	Frequency	Frequency Relative
1	0.12-0.24	6	15%
2	0.25-0.37	2	5%
3	0.38-0.50	6	15%
4	0.51-0.63	23	60%
5	0.64-0.76	2	5%
	Total	39	100%

Source: The Result of Secondary Data

The data of Leverage could be categorized on the following criteria bellow:

1) High Category = (>iM + 1 iSD)
2) Medium Category = (iM-1 iSD) until (iM + 1 iSD)
3) Small Category = (iM – 1 iSD)

The formula to calculate Ideal Mean (iM), Ideal Standard Deviation (iSD), High, Medium, and Low Category are as follows:

1) Ideal Mean (iM) = ½(Maximum+Minimum)
   = ½(0.42+0.0002)
   =0.37
2) Ideal Standard Deviation = 1/6(Maximum-Minimum)
   =1/6(0.42-0.0002)
   =0.12
3) High Category =>(iM+1 iSD)
   =>(0.37+0.12)
   =>0.49
4) Medium Category =iM- 1 iSD until iM+ 1 iSD
   =0.25 until 0.49
5) Low Category =<(iM- 1 iSD)
   =<0.25

Based on the calculation, the frequency distribution tendency of Leverage could be seen in the table bellow:

Table 9. Tendency Category of Leverage

No	Interval	Frequency	Frequency Relative	Category
1	>0.49	25	64%	High
2	0.25-0.49	8	21%	Medium
3	<0.25	6	15%	Low
4	Total	39	100%	

Source: The Result of Secondary Data

Based on table 10, it shows that there are 25 samples (64%) in the high category, 8 samples (21%) in the medium category, and 6 samples (15%) in the low category. Therefore, it can be concluded that Leverage in Food and Beverage Companies listed on IDX 2014-2016 are in the high category.

d. Independent Boards of Commissioners

Based on table 3. It can be seen that the independent boards of commissioners have a minimum value of 0.2000. There are 3 samples (8%) that have a low independent boards of commissioner (<0.3). Meanwhile, 36 samples (92%) have a high independent boards of commissioner (≥0.3). The company that has the lowest commissioner board is Tiga Pilar Sejahtera Food in 2014-2015. Meanwhile, the company that owns Independent Boards of Commissioners is Multi Bintang Indonesia 2015 - 2016.

e. Audit Quality

Based on table 3. The samples that audited by Big Four are 21 samples (54%) from 7 companies, there are Wilmar Cahaya Indonesia, Delta Djakarta, Indofood CBP Sukses Makmur, Indofood Sukses Makmur, Multi Bintang Indonesia, Prashida Aneka Niaga, and Nippon Indosari Corporindo. Then, 18 samples (46%) from 6 companies audited by Non Big Four, there are Tiga Pilar Sejahtera Food, Tri Banyan Tirta, Mayora Indah, Sekar Bumi, Sekar Laut, Siantar Top, and Ultrajaya Milk Industry and Trading Company.

f. Managerial Ownership

Based on table 3. The samples that have managerial ownership are 21 samples (54%) from 8 companies, there are Tri Banyan Tirta in 2014-2016, Wilmar Cahaya Indonesia in 2014 and 2016, Indofood Sukses Makmur in 2014-2016, Mayora Indah 2016, Prashida Aneka Niaga 2014-2016, Sekar Bumi 2014-2016, Sekar Laut 2014 -2016, Ultrajaya Milk Industry and Trading Company 2014-2016. Meanwhile, the samples that have not managerial ownership are 18 samples (46%) from 7 companies, there are Tiga Pilar Sejahtera Food 2014-2016, Wilmar Cahaya Indonesia 2015, Delta Djakarta 2014-2016, Indofood CBP Sukses Makmur 2014-2016, Multi Bintang Indonesia 2014-2016, Mayora Indah 2014-2015, and Nippon Indosari Corporindo 2014-2016.

C. The Result of Classic Assumption Test

The Classic Assumption Test used in this research are as follows :

1. Normality Test

In this research, normality test is done by looking the value of Asymp. Sig (2 tailed) using Kolmogorov-Smirnov Npar Test. The result is as follow :

Table 10. The Result of Normality Test

Variable	Kolmogorov-Smirnov	Asymp. Sig. (2 tailed)	Conclusion
Unstandardized Residual	0.132	0.087	Normal

Source : The Result of Secondary Data.

Based on table 4, can be seen that the significance value of Kolmogorov-Smirnov is 0.087. The value is greater than 0.05, so it can be concluded that the data in this research is normally distributed.

2. Multicollinearity Test

Table 11. The Result of Multicollinearity Test

Variables	Tolerance	VIF	Conclusion
SIZE (X1)	0.861	1.161	There's no multicollinearity
LEV (X2)	0.692	1.445	There's no multicollinearity
IBC (X3)	0.740	1.351	There's no multicollinearity
AQ (X4)	0.780	1.282	There's no multicollinearity
MO (X5)	0.749	1.336	There's no multicollinearity

Source : The Result of Secondary Data.

Based on table 5, can be seen that the tolerance value and VIF of Company Size (SIZE) are 0.861 and 1.161. Leverage (LEV) are 0.692 and 1.445. Independent Boards of Commissioner are 0.740 and 1.351. Audit Quality are 0.780 and 1.282, and Managerial Ownership are 0.749 and 1.336. The tolerance value of all independent variables are greater then 0.10 and the VIF value are less than 10, so it can be concluded that the regression model in this research does not have multicollinearity.

3. Heteroscedasticity Test

Table 12. The Result of Heteroscedasticity Test

Variables	Sig.	Conclusion
SIZE (X1)	0.676	There's no heteroscedasticity
LEV (X2)	0.806	There's no heteroscedasticity
IBC (X3)	0.065	There's no heteroscedasticity
AQ (X4)	0.224	There's no heteroscedasticity

MO (X5)	0.953	There's no heteroscedasticity

Source : The Result of Secondary Data.

The result of Heteroscedasticity Test through Park Test can be seen in table 6. Based on the table, the significance value of all variables are greater than 0.05. This shows that the regression model does not contain heterocedasticity problem.

4. Autocorrelation Test

Table 13. The Result of Autocorrelation Test

Model	**Durbin-Watson**	**Conclusion**
1	2.049	There's no autocorrelation

Source : The Result of Secondary Data.

Based on table 7, it shows that the Durbin-Watson (DW) value is 2.049. The DW value is compared to the dU and 4- dU values that found in the DW table. The value of dU with N is 39 and k = 5, so that dU is obtained at 1.7886. The decision is made under the terms dU <d <4-dU or 1.788 <2.049 <2.211. This results can be concluded that this regression model does not contain autocorrelation.

D. The Result of Hypothesis Test

1. The Result of First Hypothesis

H1 : Company Size has a negative and significant effect on Earnings Management.

Table 14. The Result of First Hypothesis Test

Variable		Constant	Coefficient	Value of R		Value of T		
				R^2	Adj.R^2	T_{count}	T_{table}	Sig.
X1	Y	-2.058	0.037	0.007	-0.020	0.506	1.684	0.616

Source : The Result of Secondary Data.

a. Simple Linier Regression Equation

Based on table 8, the equation of the first hypothesis (H1) for simple linear regression is as follow :

$$EM = -2.058+0.037\ SIZE$$

Based on the regression equation, it can be seen that if Company Size (SIZE) is considered constant, the Earnings Management (EM) value is -2.058. Meanwhile, it can be seen that the regression coefficient is positive, that is equal to 0.037. It show if SIZE increase by 1 point, then the EM will increase by 0.037 point with the assumption that other factors are considered constant. Consequently, it can be concluded that the SIZE (X1) has a positive effect on EM (Y).

b. Coefficient of Determination (R^2)

Based on table 8, it can be seen that the coefficient of determination (R^2) is 0.007. This value indicates that 0.7 % variance that happened on Earnings Management is effected by Company Size variable. Meanwhile, 99.3 % is effected by other factors.

c. Significance Test with t Statistical Test

Based on table 8, it can be seen that the t_{count} is 0.506. If this value compared with the t_{table} at the level of significance 5% that is 1.684. Then, the value of t_{count} is smaller than t_{table}

(0.506<1.684). The significance value is 0.616, this is more than 0.05. Therefore, it can be concluded that there is no significant effect between Company Size with Earnings Management.

Based on the result of hypothesis testing, it can be concluded that Company Size has no significant effect on Earnings Management. Consequently, the first hypothesis that stating that "Company Size has a negative and significant effect on Earnings Management" is rejected.

2. The Result of Second Hypothesis Test

H2 : Leverage has a positive and significant effect on Earnings Management.

Table 15. The Result of Second Hypothesis Test

Variable		Constant	Coefficient	Value of R		Value of T		
				R^2	Adj. R^2	T_{count}	T_{table}	Sig.
X2	Y	-1.015	-0.022	0.001	-0.026	-0.184	1.684	0.855

Source : The Result of Secondary Data.

a. Simple Linier Regression Equation

Based on table 9, the equation of the second hypothesis (H2) for simple linear regression is as follow :

EM = -1.015- 0.022 LEV

Based on the regression equation, it can be seen that if Leverage (LEV) is considered constant, the Earnings Management (EM) value is -1.015. Meanwhile, it can be seen that the regression coefficient is negative, that is equal to -0.022. It show if LEV increase by 1 point, then the EM will decrease by 0.022 point with the assumption that other factors are considered constant.

Consequently, it can be concluded that the LEV (X2) has a negative effect on EM (Y).

b. Coefficient of Determination (R^2)

Based on table 9, it can be seen that the coefficient of determination (R^2) is 0.001. This value indicates that 0.1 % variance that happened on Earnings Management is effected by Leverage variable. Meanwhile, 99.9 % is effected by other factors.

c. Significance Test with t Statistical Test

Based on table 9, it can be seen that the t_{count} is -0.184. If this value compared with the t_{table} at the level of significance 5% that is 1.684. Then, the value of t_{count} is smaller than t_{table} (-0.184<1.684). The significance value is 0.855, this is more than 0.05. Therefore, it can be concluded that there is no significant effect between Leverage with Earnings Management.

Based on the result of hypothesis testing, it can be concluded that Leverage has no significant effect on Earnings Management. Consequently, the second hypothesis that stating that "Leverage has a positive and significant effect on Earnings Management" is rejected.

3. The Result of Third Hypothesis Test

H3 : Independent Board of Commissioners has a negative and significant effect on Earnings Management.

Table 16. The Result of Third Hypothesis Test

Variable		Constant	Coefficient	Value of R		Value of T		
				R^2	Adj. R^2	T_{count}	T_{table}	Sig.
X3	Y	0.726	3.673	0.171	0.148	2.759	1.684	0.009

Source : The Result of Secondary Data.

a. Simple Linier Regression Equation

Based on table 10, the equation of the third hypothesis (H3) for simple linear regression is as follow :

EM = 0.726+ 3.673 IBC

Based on the regression equation, it can be seen that if Independent Boards of Commissioners (IBC) is considered constant, the Earnings Management (EM) value is 0.726. Meanwhile, it can be seen that the regression coefficient is positive, that is equal to 3.673. It show if IBC increase by 1 point, then the EM will increase by 3.673 point with the assumption that other factors are considered constant. Consequently, it can be concluded that the IBC (X3) has a positive effect on EM (Y).

b. Coefficient of Determination (R^2)

Based on table 10, it can be seen that the coefficient of determination (R^2) is 0.171. This value indicates that 17.1 % variance that happened on Earnings Management is effected by Independent Boards of Commissioner variable. Meanwhile, 82.9 % is effected by other factors.

c. Significance Test with t Statistical Test

Based on table 10, it can be seen that the t_{count} is 2.759. If this value compared with the t_{table} at the level of significance 5% that is 1.684. Then, the value of t_{count} is greather than t_{table} (2.785>1.684). The significance value is 0.009, this is less than 0.05. Therefore, it can be concluded that there is a significant effect between Independent Boards of Commissioner with Earnings Management.

Based on the result of hypothesis testing, it can be concluded that Independent Boards of Commissioner has a positive and significant effect on Earnings Management. Consequently, the third hypothesis that stating that "Independent Boards of Commisioner has a negative and significant effect on Earnings Management" is rejected.

4. The Result of Fourth Hypothesis Test

H4 : Audit Quality has a negative and significant effect on Earnings Management.

Table 17. The Result of Fourth Hypothesis Test

Variable		Constant	Coefficient	Value of R		Value of T		
				R^2	Adj. R^2	T_{count}	T_{table}	Sig.
X4	Y	-1.294	0.541	0.161	0.139	2.669	1.684	0.011

Source : The Result of Secondary Data.

a. Simple Linier Regression Equation

Based on table 11, the equation of the fourth hypothesis (H4) for simple linear regression is as follow :

EM = -1.294+ 0.541 AQ

Based on the regression equation, it can be seen that if Audit Quality (AQ) is considered constant, the Earnings Management (EM) value is -1.294. Meanwhile, it can be seen that the regression coefficient is positive, that is equal to 0.541. It show if companies that audited by Big four, then the EM will increase by 0.541 point with the assumption that other factors are considered constant. Consequently, it can be concluded that the AQ (X4) has a positive effect on EM (Y).

b. Coefficient of Determination (R^2)

Based on table 11, it can be seen that the coefficient of determination (R^2) is 0.161. This value indicates that 16.1 % variance that happened on Earnings Management is effected by Audit Quality variable. Meanwhile, 83.9 % is effected by other factors.

c. Significance Test with t Statistical Test

Based on table 11, it can be seen that the t_{count} is 2.669. If this value compared with the t_{table} at the level of significance 5% that is 1.684. Then, the value of t_{count} is greather than t_{table} (2.669>1.684). The significance value is 0.011, this is less than 0.05. Therefore, it can be concluded that there is a significant effect between Audit Quality with Earnings Management.

Based on the result of hypothesis testing, it can be concluded that Audit Quality has a positif and significant effect on Earnings

Management. Consequently, the fourth hypothesis that stating that "Audit Quality has a negative and significant effect on Earnings Management" is rejected.

5. The Result of Fifth Hypothesis Test

H5 : Managerial Ownership has a negative and significant effect on Earnings Management.

Table 18. The Result of Fifth Hypothesis Test

Variable		Constant	Coefficient	Value of R		Value of T		
				R^2	Adj. R^2	T_{count}	T_{table}	Sig.
X5	Y	-0.818	-0.342	0.065	0.039	-1.598	1.684	0.119

Source : The Result of Secondary Data.

a. Simple Linier Regression Equation

Based on table 12, the equation of the fifth hypothesis (H5) for simple linear regression is as follow :

EM = -0.818- 0.342 MO

Based on the regression equation, it can be seen that if Managerial Ownership (MO) is considered constant, the Earnings Management (EM) value is -0.818. Meanwhile, it can be seen that the regression coefficient is negative, that is equal to -0.342. It show if MO increase by 1 point, then the EM will decrease by 0.342 point with the assumption that other factors are considered constant. Consequently, it can be concluded that the MO (X5) has a negative effect on EM (Y).

b. Coefficient of Determination (R^2)

Based on table 12, it can be seen that the coefficient of determination (R^2) is 0.065. This value indicates that 6.5 % variance that happened on Earnings Management is effected by Managerial Ownership variable. Meanwhile, 93.5 % is effected by other factors.

c. Significance Test with t Statistical Test

Based on table 12, it can be seen that the t_{count} is -1.598. If this value compared with the t_{table} at the level of significance 5% that is 1.684. Then, the value of t_{count} is smaller than t_{table} (-1.598<1.684). The significance value is 0.119, this is more than 0.05. Therefore, it can be concluded that there is no a significant effect between Managerial Ownership with Earnings Management.

Based on the result of hypothesis testing, it can be concluded that Managerial Ownership has no a significant effect on Earnings Management. Consequently, the fifth hypothesis that stating that "Managerial Ownership has a negative and significant effect on Earnings Management" is rejected.

6. The Result of Sixth Hypothesis Test

H6 : Company Size, Leverage, Independent Board of Commissioners, Audit Quality, and Managerial Ownership simultaneously has a significant affect on Earnings Management.

Table 19. The Result of Sixth Hypothesis Test

Variable		Constant	Coefficient	Value of R		Value of F		
				R^2	Adj. R^2	F_{count}	F_{table}	Sig.
X1	Y	1.425	-0.023	0.304	0.199	2.887	2.500	0.029
X2			0.154					
X3			3.497					
X4			0.282					
X5			-0.360					

Source : The Result of Secondary Data.

a. Multiple Linier Regression Equation

Based on table 13, the equation of the sixth hypothesis (H6) for multiple linear regression is as follow :

EM = 1.425- 0.023 SIZE + 0.154 LEV + 3.497 IBC + 0.282 AQ - 0.360 MO

Based on the regression equation, it can be seen that :

1) The constant value is 1.425, it shows that the Earnings Management value is 1.425 if all the independent variables are cosidered constant.
2) When the Company Size (X1) increase by 1 point, then the Earnings Management will decrease by 0.023 point with the assumption that other independent variables are considered constant.
3) When the Leverage (X2) increase by 1 point, then the Earnings Management will increase by 0.154 point with the assumption that other independent variables are considered constant.
4) When the Independent Boards of Commisioners (X3) increase by 1 point, then the Earnings Management will increase by

3.497 point with the assumption that other independent variables are considered constant.

5) When the company audited by Big Four, then the Earnings Management will increase by 0.282 point with the assumption that other independent variables are considered constant.
6) When the company has a Managerial Ownership (X5), then the Earnings Management will decrease by 0.360 point with the assumption that other independent variables are considered constant.

b. Coefficient of Determination (R^2)

Based on table 13, it can be seen that the coefficient of determination (R^2) is 0.304. This value indicates that 30.4 % variance that happened on Earnings Management is effected by Company Size, Leverage, Independent Boards of Commisioner, Audit Quality and Managerial Ownership variable. Meanwhile, 69.6 % is effected by other factors.

c. Significance Test with F Statistical Test

Based on table 13, it can be seen that the F_{count} is 2.887. If this value compared with the F_{table} at the level of significance 5% that is 2.500. Then, the value of F_{count} is greather than F_{table} (2.887>2.500). The significance value is 0.029, this is less than 0.05. Therefore, it can be concluded that there is a significant effect between Company Size, Leverage, Independent Boards of

Commissioner, Audit Quality, and Managerial Ownership with Earnings Management.

Based on the result of hypothesis testing, it can be concluded that Company Size, Leverage, Independent Board of Commissioner, Audit Quality, and Managerial Ownership has a significant effect on Earnings Management. Consequently, the sixth hypothesis that stating that "Company Size, Leverage, Independent Board of Commissioner, Audit Quality, and Managerial Ownership has a significant effect on Earnings Management" is accepted.

E. Discussion

1. The Effect of Company Size on Earnings Management

The first hypothesis in this research is Company Size has a negative and significant effect on Earnings Management. Based on the hypothesis testing, it can be seen that the value of regression coefficient is 0.037. Then, the value of t_{count} is 0.506 which smaller than t_{table} of 1.684. The significance value is 0.616, greather than 0.05. Consequently, it can be concluded that the SIZE (X1) has no significant effect on the EM (Y).

Based on the results of the research, the company size measured by natural logarithm of total assets does not affect on earnings management. It shows that company size may not necessarily increase or decrease the possibility of earnings management. Lusi

(2014: 20) stated that the strict supervision from the government, analysts, and investors will prevent manager from doing earnings management. Investor in decision-making not only focus on company size, but also on the other aspect, such as profits and future business prospects. There are other criteria that can be used as a proxy of company size, such as stock market value, equity, and sales (Riyanto, 2008: 313). Based on the data, Company Size in Food and Beverage Companies listed on IDX 2014-2016 are dominated by companies in medium size (70%). It may cause company size have no effect on earnings management.

Research's result is inconsistent with research conducted by Herlambang & Darsono (2015: 1-11) and Purnama (2017) which shows that firm size has a negative and significant effect on earnings management. It indicates that the larger the company size, the less earnings management. Bigger company will be more strict to supervise its internal control. Thus, it can minimize the company's management actions in doing fraud regarding earnings information.

The results of this research support the research conducted by Astuti, Nuraina & Wijaya (2017: 501-504), and Setyaningtyas & Hadiprajitno (2015: 3237) which found that company size has no effect on earnings management. In addition, research conducted by Pradito & Rahayu (2015) also found that company size has no effect on earnings management.

2. The Effect of Leverage on Earnings Management

The second hypothesis in this research is Leverage has a positive and significant effect on Earnings Management. Based on the hypothesis testing, it can be seen that the value of regression coefficient is -0.022. Then, the value of t_{count} is -0.184 which smaller than t_{table} of 1.684. The significance value is 0.855, greather than 0.05. Consequently, it can be concluded that the LEV (X2) has no significant effect on EM (Y).

The results of this research indicate that leverage has no effect on earnings management. This shows that the high or low leverage does not encourage management to make earnings management. The large or small leverage can not determine the existence of earnings management in food and beverage companies. This research indicate that the average of leverage owned by each company is low (0.466). It show that 46 % of total assets of the company financed by debt, and 54 % of the assets financed by equity. Total debt of company is still able to be covered by companies's asset. It may cause leverage have no effect on earnings management.

This research is inconsistent with several researches such as Astuti, Nuraina & Wijaya (2017), Pradito & Rahayu (2015), and Naftalia & Marsono (2013: 1-8) which found that leverage has a positive and significant effect on earnings management. These results indicate that company with high leverage ratios means higher

proportion of debt compared to the proportion of assets will tend to manipulate in the form of earnings management. The increase of leverage will lead to improve earnings management practices. Management will create policies that can increase revenue, for example to improve its bargaining position when negotiating debt or to get funds from creditors or investors.

This research supports the research conducted by Putri & Titik (2014: 238) and Jao & Pagalung (2011) which found that leverage has no significant effect on earnings management.

3. The Effect of Independent Boards of Commissioner on Earnings Management

The third hypothesis in this research is Independent Boards of Commissioner has a negative and significant effect on Earnings Management. Based on the hypothesis testing, it can be seen that the value of regression coefficient is 3.673. Then, the value of t_{count} is 2.759 which greather than t_{table} of 1.684. The significance value is 0.009, smaller than 0.05. Consequently, it can be concluded that the IBC (X3) has a positive and significant effect on EM (Y).

The results of this research indicate that the larger the number of independent commissioners of the company, it can improve earnings management. It is because the greater the independent board of commissioners will cause the decline in supervisory functions and can disrupt them in decision-making.

This reseacrh is inconsistent with research conducted by Herlambang & Darsono (2015: 1-11), Nabila & Daljono (2013: 1-10), and Prastiti & Meiranto (2013: 1-12) that independent board of commissioners have a negative and significant impact on earnings management. This research supports the research conducted by Prabowo (2014) which states that independent commissioners have a positive and significant impact on earnings management.

4. The Effect of Audit Quality on Earnings Management

The fourth hypothesis in this research is Audit Quality has a negative and significant effect on Earnings Management. Based on the hypothesis testing, it can be seen that the value of regression coefficient is 0.541. Then, the value of t_{count} is 2.669 which greather than t_{table} of 1.684. The significance value is 0.011, smaller than 0.05. Consequently, it can be concluded that the AQ (X4) has a positive and significant effect on EM (Y).

The results of this research indicate that the audit quality has a positive and significant impact on earnings management. It show that the companies audited by the Big Four are indicating of greater earnings management compared to companies audited by Non Big Four. In fact, companies audited by the Big Four do not prove capable of limiting the company's earnings management practices (Luhgiatno, 2010: 15-31). Ardiati (2003) found that Big Five clients reported higher amounts of discretionary accruals than Non Big Five clients.

According to Ardiati (2003: 408-426), the audit of financial statements is not intended to detect the occurrence of earnings management, but the audit is conducted to improve the credibility of financial statements.

This research is inconsistent with the research conducted by Iswara (2017) and Rahadi & Asyik (2017) which found that the Audit Quality had a negative and significant impact on earnings management. When a company is audited by the Big Four, then earnings management will be low. Iswara (2017) states that a structured audit process can find misstatements or fraud committed by management. Audit activities conducted by Public Accounting Firm can minimize the occurrence of earnings management. This research supports the research conducted by Fitria (2013) and Ardiati (2003: 408-426) which states that the quality of auditors has a positive and significant effect on earnings management.

5. The Effect of Managerial Ownership on Earnings Management

The fifth hypothesis in this research is Managerial Ownership has a negative and significant effect on Earnings Management. Based on the hypothesis testing, it can be seen that the value of regression coefficient is -0.342. Then, the value of t_{count} is -1.598 which greather than t_{table} of 1.684. The significance value is 0.119, greather than 0.05. Consequently, it can be concluded that the MO (X5) has a no significant effect on EM (Y).

The results of this research indicate that managerial ownership has no effect on earnings management. Earnings Management is determined by the motivation of management. The different motivations will produce a different amounts of earnings management. When viewed from the data used in this research, it is known that the concentration of share ownership by manageris to little. It causes managerial ownership to have no significant effect on earnings management.

This research is inconsistent with research conducted by Mahariana & Ramantha (2014: 519-528) which found that Managerial ownership negatively affects earnings management. These results prove that an increase in share ownership by managers within the company will be able to create optimum company performance and motivate managers to act more cautiously, as they share the consequences of every action they take. This research supports the research conducted by Putri & Titik (2014: 238) which found that managerial ownership has no effect on earnings management.

6. The Effect of Company Size, Leverage, Independent Boards of Commissioners, Audit Quality, and Managerial Ownership on Earnings Management

The sixth hypothesis in this research is Company Size, Leverage, Independent Boards of Commissioners, Audit Quality, and Managerial Ownership simultaneously has a significant effect on

Earnings Management. Based on the hypothesis testing, it can be seen that the value of coefficient of determination value is 0.199 or 19.9%. This value indicates that only 19.9% the dependent variable was explained by the independent variable. Meanwhile, 80.1% is affected by other factors.

The value of F_{count} is 2.887 which greather than F_{table} of 2.500. The significance value is 0.029, smaller than 0.05. Consequently, it can be concluded that Company Size, Leverage, Independent Boards of Commissioner, Audit Quality, and Managerial Ownership simultaneously has a significant effect on Earnings Management

F. Research Limitation

This research has been done with scientific procedures, but still has limitations. This research only has a vulnerable time of 3 years in 2014-2016. In addition, the sample of this research also focused only on food and beverage companies listed on the Indonesia Stock Exchange.

CHAPTER V
CONCLUSIONS AND SUGGESTIONS

A. Conclusions

Based on the result of research and the discussion in the previous chapter, the conclusions are as follows:

1. Company Size has no a significant effect on Earnings Management. This result shows that company size may not necessarily increase or decrease the possibility of earnings management. The company size is not the only consideration for investors in decisions-making. However, there are any other important factors to consider in making investment decisions, such as the profits of the company and future business prospects.
2. Leverage has no significant effect on Earnings Management. This result shows that high or low leverage does not encourage management to make earnings management. The companies that have a large or small leverage can not determine the existence of earnings management in food and beverage companies. Based on statistical data of leverage from this research indicate that the average of leverage owned by each company is low, so total debt of company still able to be covered by their asset.
3. Independent Boards of Commisioner has a positive and significant effect on Earnings Management. This result show that the greater the independent board of commissioners will cause the decline in supervisory functions and can disrupt them in decisions-making.

4. Audit Quality has a positive and significant effect on Earnings Management. This result shows that companies audited by the Big Four are indicative of greater earnings management compared to companies audited by the Non Big Four. Public Accounting Firm (Big Four) do not prove to be able to limit the company's earnings management practices.
5. Managerial Ownership has no significant effect on Earnings Management. This result shows that the management that owns the company's shares can make various efforts so as to increase the bonus motivation and impact on the increasing of earnings management.
6. Company Size, Leverage, Independent Boards of Commissioner, Audit Quality, and Managerial Ownership simultaneously has a significant effect on Earnings Management. The value of F_{count} is 2.882 is greather than F_{table} which is 2.500. Then, the significance value is 0.029. Its smaller than 0.05.

B. Suggestions

1. For Futher Researcher
   a. The next researcher is suggested to expand the sample, not only in food and beverage companies, but in other manufacturing sectors, as well as adding a longer period.
   b. Next researcher may focus on the other internal aspects (information asymmetry, bonus compensation, and audit committee) and external aspect (institutional ownership), as well as

using other proxies of company size (net sales and the value of equity), and the proxy of leverage (debt to equity).

2. For Companies

   Companies is suggested to implement Good Corporate Governance, in order to have a good system that oversees and controls the company. The Boards of Directors should provide better supervision.

3. For Investor and Potential Investor

   Investors and potential investors should be more careful in using the financial statements to make economic decisions, not only to pay attention in terms of assets but also other aspects such as liabilities and equity of the company. Investor should encourage the Independent Boards of Commissioner to perform its function effectively, not only put their name in the structure.

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APPENDICES

Appendix 1. The Criteria of Company Size

Company Size	Criteria	
	Asset	Sales
Micro	Maximal 50 million	Maximal 300 million
Small	>50-500 million	>300 million-2.5 billion
Medium	>500 million-10 billion	2.5-50 billion
Large	>10 billion	>50 billion

Appendix 2. Selection Sample of the Research

No	Information	Amount
1.	Food and beverage companies listed on IDX 2014-2016.	16
2.	The companies that do not have the necessary data in this research.	(3)
The amount of samples in 1 period		13
The amount of samples in 3 periode (13 x 3)		39

Appendix 3. The List of Sample of the Research

No	Code	Name
1	AISA	Tiga Pilar Sejahtera Food Tbk
2	ALTO	Tri Banyan Tirta Tbk
3	CEKA	Wilmar Cahaya Indonesia Tbk (d.h Cahaya Kalbar Tbk)
4	DLTA	Delta Djakarta Tbk
5	ICBP	Indofood CBP Sukses Makmur Tbk
6	INDF	Indofood Sukses Makmur Tbk
7	MLBI	Multi Bintang Indonesia Tbk
8	MYOR	Mayora Indah Tbk
9	PSDN	Prashida Aneka Niaga Tbk
10	ROTI	Nippon Indosari Corporindo Tbk
11	SKBM	Sekar Bumi Tbk
12	SKLT	Sekar Laut Tbk
13	ULTJ	Ultrajaya Milk Industry and Trading Company Tbk

Appendix 4. The Data of the Research

No	Period	Code	EM	SIZE	LEV	IBC	AQ	MO
1	2014	AISA	0.012	29.629	0.515	0.2	0	0
2	2015		0.006	29.835	0.562	0.2	0	0
3	2016		0.049	29.856	0.539	0.2	0	0
4	2014	ALTO	0.026	27.845	0.570	0.3	0	1
5	2015		0.046	27.797	0.570	0.3	0	1
6	2016		-0.018	27.784	0.587	0.3	0	1
7	2014	CEKA	1.426	27.881	0.581	0.3	1	1
8	2015		15.653	28.027	0.569	0.3	1	0
9	2016		0.018	27.986	0.377	0.3	1	1
10	2014	DLTA	0.182	27.623	0.000	0.4	1	0
11	2015		-0.119	27.669	0.000	0.4	1	0
12	2016		-0.032	27.812	0.000	0.4	1	0
13	2014	ICBP	-0.074	30.846	0.418	0.4	1	0
14	2015		-0.025	30.910	0.383	0.3	1	0
15	2016		1.257	30.995	0.360	0.3	1	0
16	2014	INDF	-0.050	32.085	0.520	0.4	1	1
17	2015		-0.018	32.151	0.530	0.4	1	1
18	2016		-0.023	32.040	0.465	0.4	1	1
19	2014	MLBI	-1.018	28.433	0.752	0.4	1	0
20	2015		7.570	28.373	0.635	0.4	1	0
21	2016		0.211	28.453	0.639	0.4	1	0
22	2014	MYOR	0.152	29.962	0.602	0.4	0	0
23	2015		-0.115	30.060	0.542	0.4	0	0
24	2016		0.121	30.190	0.515	0.4	0	1
25	2014	PSDN	-0.142	27.154	0.390	0.3	1	1
26	2015		0.019	27.154	0.477	0.3	1	1
27	2016		-0.153	27.206	0.571	0.3	1	1
28	2014	ROTI	-0.236	28.393	0.552	0.3	1	0
29	2015		-0.541	28.627	0.561	0.3	1	0
30	2016		0.061	28.702	0.506	0.3	1	0
31	2014	SKBM	0.065	27.200	0.511	0.3	0	1
32	2015		0.041	27.362	0.550	0.3	0	1
33	2016		-0.048	27.633	0.632	0.3	0	1
34	2014	SKLT	-0.010	26.527	0.537	0.3	0	1
35	2015		0.003	26.656	0.597	0.3	0	1
36	2016		-0.675	27.066	0.479	0.3	0	1
37	2014	ULTJ	0.084	28.702	0.224	0.3	0	1
38	2015		-0.050	28.895	0.210	0.3	0	1
39	2016		-0.036	29.075	0.177	0.3	0	1

Appendix 5. The Data of Company Size

No	Code	Name	2014		
			Assets		LN
1	AISA	Tiga Pilar Sejahtera Food Tbk	Rp	7.371.846.000.000	29.6287
2	ALTO	Tri Banyan Tirta Tbk	Rp	1.239.053.626.858	27.8454
3	CEKA	Wilmar Cahaya Indonesia Tbk (d.h Cahaya Kalbar Tbk)	Rp	1.284.150.037.341	27.8811
4	DLTA	Delta Djakarta Tbk	Rp	991.947.134.000	27.6229
5	ICBP	Indofood CBP Sukses Makmur Tbk	Rp	24.910.211.000.000	30.8463
6	INDF	Indofood Sukses Makmur Tbk	Rp	85.938.885.000.000	32.0847
7	MLBI	Multi Bintang Indonesia Tbk	Rp	2.231.051.000.000	28.4335
8	MYOR	Mayora Indah Tbk	Rp	10.291.108.029.334	29.9623
9	PSDN	Prashida Aneka Niaga Tbk	Rp	620.929.000.000	27.1545
10	ROTI	Nippon Indosari Corporindo Tbk	Rp	2.142.894.276.216	28.3932
11	SKBM	Sekar Bumi Tbk	Rp	649.534.031.113	27.1995
12	SKLT	Sekar Laut Tbk	Rp	331.574.891.637	26.5271
13	ULTJ	Ultrajaya Milk Industry and Trading Company Tbk	Rp	2.917.083.567.355	28.7016

2015		2016	
Assets	LN	Assets	LN
Rp 9.060.979.000.000	29.8350	Rp 9.254.539.000.000	29.8561
Rp 1.180.228.072.164	27.7967	Rp 1.165.093.632.823	27.7838
Rp 1.485.826.210.015	28.0270	Rp 1.425.964.152.418	27.9859
Rp 1.038.321.916.000	27.6686	Rp 1.197.796.650.000	27.8115
Rp 26.560.624.000.000	30.9105	Rp 28.901.948.000.000	30.9949
Rp 91.831.526.000.000	32.1510	Rp 82.174.515.000.000	32.0399
Rp 2.100.853.000.000	28.3734	Rp 2.275.038.000.000	28.4530
Rp 11.342.715.686.221	30.0596	Rp 12.922.421.859.142	30.1900
Rp 620.399.000.000	27.1536	Rp 653.797.000.000	27.2061
Rp 2.706.323.637.034	28.6266	Rp 2.919.640.858.718	28.7025
Rp 764.484.248.710	27.3625	Rp 1.001.657.012.004	27.6327
Rp 377.110.748.359	26.6558	Rp 568.239.939.951	27.0658
Rp 3.539.995.910.248	28.8951	Rp 4.239.199.641.365	29.0754

Appendix 6. The Data of Leverage

No	Code	Name	2014		
			Total Liabilities	Total Asset	Leverage
1	AISA	Tiga Pilar Sejahtera Food Tbk	Rp 3.799.017.000.000	Rp 7.371.846.000.000	0.515
2	ALTO	Tri Banyan Tirta Tbk	Rp 706.402.717.818	Rp 1.239.053.626.858	0.570
3	CEKA	Wilmar Cahaya Indonesia Tbk (d.h Cahaya Kalbar Tbk)	Rp 746.598.865.219	Rp 1.284.150.037.341	0.581
4	DLTA	Delta Djakarta Tbk	Rp 227.473.881.000	Rp 991.947.134.000	0.229
5	ICBP	Indofood CBP Sukses Makmur Tbk	Rp 10.401.125.000.000	Rp 24.910.211.000.000	0.418
6	INDF	Indofood Sukses Makmur Tbk	Rp 44.710.509.000.000	Rp 85.938.885.000.000	0.520
7	MLBI	Multi Bintang Indonesia Tbk	Rp 1.677.254.000.000	Rp 2.231.051.000.000	0.752
8	MYOR	Mayora Indah Tbk	Rp 6.190.553.036.545	Rp 10.291.108.029.334	0.602
9	PSDN	Prashida Aneka Niaga Tbk	Rp 242.354.000.000	Rp 620.929.000.000	0.390
10	ROTI	Nippon Indosari Corporindo Tbk	Rp 1.182.771.921.472	Rp 2.142.894.276.216	0.552
11	SKBM	Sekar Bumi Tbk	Rp 331.624.254.750	Rp 649.534.031.113	0.511
12	SKLT	Sekar Laut Tbk	Rp 178.206.785.017	Rp 331.574.891.637	0.537
13	ULTJ	Ultrajaya Milk Industry and Trading Company Tbk	Rp 651.985.807.625	Rp 2.917.083.567.355	0.224

2015			2016		
Total Liabilities	Total Asset	Leverage	Total Liabilities	Total Asset	Leverage
Rp 5.094.072.000.000	Rp 9.060.979.000.000	0.562	Rp 4.990.139.000.000	Rp 9.254.539.000.000	0.539
Rp 673.255.888.637	Rp 1.180.228.072.164	0.570	Rp 684.252.214.422	Rp 1.165.093.632.823	0.587
Rp 845.932.695.663	Rp 1.485.826.210.015	0.569	Rp 538.044.038.690	Rp 1.425.964.152.418	0.377
Rp 188.700.435.000	Rp 1.038.321.916.000	0.182	Rp 185.422.642.000	Rp 1.197.796.650.000	0.155
Rp 10.173.713.000.000	Rp 26.560.624.000.000	0.383	Rp 10.401.125.000.000	Rp 28.901.948.000.000	0.360
Rp 48.709.933.000.000	Rp 91.831.526.000.000	0.530	Rp 38.233.092.000.000	Rp 82.174.515.000.000	0.465
Rp 1.334.373.000.000	Rp 2.100.853.000.000	0.635	Rp 1.454.398.000.000	Rp 2.275.038.000.000	0.639
Rp 6.148.225.759.034	Rp 11.342.715.686.221	0.542	Rp 6.657.165.872.077	Rp 12.922.421.859.142	0.515
Rp 296.080.000.000	Rp 620.399.000.000	0.477	Rp 373.512.000.000	Rp 653.797.000.000	0.571
Rp 1.517.788.685.162	Rp 2.706.323.637.034	0.561	Rp 1.476.889.086.692	Rp 2.919.640.858.718	0.506
Rp 420.396.809.051	Rp 764.484.248.710	0.550	Rp 633.267.725.358	Rp 1.001.657.012.004	0.632
Rp 225.066.080.248	Rp 377.110.748.359	0.597	Rp 272.088.644.079	Rp 568.239.939.951	0.479
Rp 742.490.216.326	Rp 3.539.995.910.248	0.210	Rp 749.966.146.582	Rp 4.239.199.641.365	0.177

Appendix 7. The Data of Independent Boards of Commissioner

No	Code	Name				
			2014			
			President Commissioner	Commissioner	Independent Boards of Commissioners	Persentage
1	AISA	Tiga Pilar Sejahtera Food Tbk	Anton Apriyantono	Hengky Koestanto	Bondan Haryo Winarno	20%
			Kang Hongkie Widjaja	Ridha DM Wirakusumah		
2	ALTO	Tri Banyan Tirta Tbk	Agung Salim	Marlen Sunotoredjo	Andy Wardhana Putra Tanumihardja	33%
3	CEKA	Wilmar Cahaya Indonesia Tbk (d.h Cahaya Kalbar Tbk)	Hendri Saksti	Ricky Hermanto	Hendardji Soepandji	33%
4	DLTA	Delta Djakarta Tbk	Heru Budi Hartono	Carlos Antonio Mayo Berba	Ongky Sukasah	40%
				Takeshi Wada	Reynato Serrano Puno	
5	ICBP	Indofood CBP Sukses Makmur Tbk	Benny Setiawan Santoso	Franciscus Welirang	Florentinus Gregorius Winarno	43%
				Moleonoto	Adi Pranoto Leman	

				Alamsyah	Wahjudi Prakarsa	
6	INDF	Indofood Sukses Makmur Tbk	Manuel V. Pangilinan	Benny Setiawan Santoso	Utomo Josodirdjo	38%
				Edward A. Tortorici	Torstein Stephansen	
				Robert Charles Nicholson	Hans Kartikahadi	
				Graham L. Pickles		
7	MLBI	Multi Bintang Indonesia Tbk	Cosmas Batubara	Bobby Henry Noya	Subarto Zaini	38%
				Michiel Egeler	Martiono Hadianto	
				Theodorus Antonius Fredericus de Rond	Sumantri Slamet	
				Roland Pirmez		
8	MYOR	Mayora Indah Tbk	Jogi Hendra Atmadja	Hermawan Lesmana	Ramli Setiawan	40%
				Gunawan Atmadja	Suryanto Gunawan	

9	PSDN	Prashida Aneka Niaga Tbk	Mansjur Tandiono	Made Sudharta	Fery Yennoto	33%
			Widyono Lianto	Agus Soegiarto	Robertus Sukamto	
10	ROTI	Nippon Indosari Corporindo Tbk	Benny Setiawan Santoso	Tan Hang Huat	Seah Kheng Hong Conrad	33%
11	SKBM	Sekar Bumi Tbk	Loddy Gunadi	Agus Sandi Surya	Juliher Marbun	33%
12	SKLT	Sekar Laut Tbk	Loddy Gunadi	Tjahjono Haryono	Bing Hartono Poernomosidi	33%
13	ULTJ	Ultrajaya Milk Industry and Trading Company Tbk	Supiandi Prawirawidjaja	H. Soeharsono Sagir	Endang Suharya	33%

2015				2016			
President Commissioner	Commissioner	Independent Boards of Commissioners	Persentage	President Commissioner	Commissioner	Independent Boards of Commissioners	Persentage
Anton Apriyantono	Hengky Koestanto	Bondan Haryo Winarno	20%	Anton Apriyantono	Hengky Koestanto	Bondan Haryo Winarno	20%
Kang Hongkie Widjaja (wakil)	Ridha DM Wirakusumah			Kang Hongkie Widjaja (wakil)	Jaka Prasetya		

Agung Salim	Marlen Sunotoredjo	Andy Wardhana Putra Tanumihardja	33%	Agung Salim	Marlen Sunotoredjo	Andy Wardhana Putra Tanumihardja	33%
Hendri Saksti	Ricky Hermanto	Hendardji Soepandji	33%	Hendri Saksti	Ricky Hermanto	Hendardji Soepandji	33%
Heru Budi Hartono	Carlos Antonio Mayo Berba	Jeje Nurjaman	40%	Michael Rolandi C. Brata	Carlos Antonio Mayo Berba	Jeje Nurjaman	40%
	Takeshi Wada	Reynato Serrano Puno			Takeshi Wada	Reynato Serrano Puno	
Franciscus Welirang	Moleonoto	Hans Kartikahadi	33%	Franciscus Welirang	Moleonoto	Hans Kartikahadi	33%
	Alamsyah	Wahjudi Prakarsa			Alamsyah	A. Prijohandojo Kristanto	
	Florentinus Gregorius Winarno				Florentinus Gregorius Winarno		
Manuel V. Pangilinan	Benny Setiawan Santoso	Utomo Josodirdjo	38%	Manuel V. Pangilinan	Benny Setiawan Santoso	Utomo Josodirdjo	38%
	Edward A. Tortorici	Bambang Subianto			Edward A. Tortorici	Bambang Subianto	

	Robert Charles Nicholson	Adi Pranoto Leman			Robert Charles Nicholson	Adi Pranoto Leman	
	Graham L. Pickles				Christopher Huxley Young		
Cosmas Batubara	Frans Erik Eusman	Sumantri Slamet	43%	Cosmas Batubara	Frans Erik Eusman	Sumantri Slamet	43%
	Theodorus Antonius Fredericus de Rond	Bobby Henry Noya			Henricus Petrus Van Zon	Bobby Henry Noya	
	Jasper Christiaan Hamaker	Wahyu Hidayat			Jasper Christiaan Hamaker	Wahyu Hidayat	
Jogi Hendra Atmadja	Hermawan Lesmana	Ramli Setiawan	38%	Jogi Hendra Atmadja	Hermawan Lesmana	Ramli Setiawan	38%
	Gunawan Atmadja	Suryanto Gunawan			Gunawan Atmadja	Suryanto Gunawan	
Mansjur Tandiono	Made Sudharta	Fery Yennoto		Mansjur Tandiono	Made Sudharta	Fery Yennoto	
Widyono Lianto	Agus Soegiarto	Robertus Sukamto	33%	Widyono Lianto	Agus Soegiarto	Robertus Sukamto	33%

Benny Setiawan Santoso	Tan Hang Huat	Jusuf Arbianto Tjondrolukito	33%	Benny Setiawan Santoso	Tan Hang Huat	Jusuf Arbianto Tjondrolukito	33%
Loddy Gunadi	Agus Sandi Surya	Juliher Marbun	33%	Finna Huang	Agus Sandi Surya	Juliher Marbun	33%
Loddy Gunadi	Tjahjono Haryono	Bing Hartono Poernomosidi	33%	Loddy Gunadi	Harry Fong Jaya	Bing Hartono Poernomosidi	33%
Supiandi Prawirawidjaja	H. Soeharsono Sagir	Endang Suharya	33%	Supiandi Prawirawidjaja	H. Soeharsono Sagir	Endang Suharya	33%

Appendix 8. The Data of Audit Quality

No	Code	Name	IPO	Auditor	Audit Quality	
					0	1 (Big Four)
1	AISA	Tiga Pilar Sejahtera Food Tbk	11-Jun-97	RSM (Rhodes Salustro Mcgladley) Indonesia	0	
2	ALTO	Tri Banyan Tirta Tbk	10-Jul-12	Parker Randall 2015, Mgi Gar 2016 (Gideon Adi & Rekan)	0	
3	CEKA	Wilmar Cahaya Indonesia Tbk (d.h Cahaya Kalbar Tbk)	09-Jul-96	EY (Ernst and Young)		1
4	DLTA	Delta Djakarta Tbk	12-Feb-84	Deloitte		1
5	ICBP	Indofood CBP Sukses Makmur Tbk	07-Okt-10	EY (Ernst and Young)		1
6	INDF	Indofood Sukses Makmur Tbk	14-Jul-94	EY (Ernst and Young)		1
7	MLBI	Multi Bintang Indonesia Tbk	17-Jan-94	KPMG (Klynveld Peat Marwick Goeldner) 2014, Deloitte 2015-2016		1
8	MYOR	Mayora Indah Tbk	04-Jul-90	Moore Stephens	0	

9	PSDN	Prashida Aneka Niaga Tbk	18-Okt-94	EY (Ernst and Young)		1
10	ROTI	Nippon Indosari Corporindo Tbk	28-Jun-10	EY (Ernst and Young)		1
11	SKBM	Sekar Bumi Tbk	5-Jan-93 (relisting 28-Sep-12)	RSM (Rhodes Salustro Mcgladley)	0	
12	SKLT	Sekar Laut Tbk	08-Sep-93	PKF(Pannel Kerr Forster)	0	
13	ULTJ	Ultrajaya Milk Industry and Trading Company Tbk	02-Jul-90	BDO (Binder Dijker Otte)	0	

Appendix 9. The Data of Managerial Ownership

No	Code	Name	Managerial Ownership								
			2014			2015			2016		
			The Name of Ownership	Dummy Variabel		The Name of Ownership	Dummy Variabel		The Name of Ownership	Dummy Variabel	
				0 (No)	1 (Yes)		0 (No)	1 (Yes)		0 (No)	1 (Yes)
1	AISA	Tiga Pilar Sejahtera Food Tbk		0			0			0	
2	ALTO	Tri Banyan Tirta Tbk	Agus Salim		1			1			1
3	CEKA	Wilmar Cahaya Indonesia Tbk (d.h Cahaya Kalbar Tbk)	Teh Kenny Suryadi		1		0		Hendry Saksti		1

4	DLTA	Delta Djakarta Tbk		0			0			0	
5	ICBP	Indofood CBP Sukses Makmur Tbk		0			0			0	
6	INDF	Indofood Sukses Makmur Tbk	Anthoni Salim, Fransiscus Welirang, Taufik Wiraatmaja		1	Anthoni Salim, Fransiscus Welirang, Taufik Wiraatmaja		1	Anthoni Salim, Fransiscus Welirang, Taufik Wiraatmaja		1
7	MLBI	Multi Bintang Indonesia Tbk		0			0			0	
8	MYOR	Mayora Indah Tbk		0			0		Jogi Hendra Atmadja		1
9	PSDN	Prashida Aneka Niaga Tbk	Agus Soegiarto and Widyono Lianto		1	Agus Soegiarto		1	Agus Soegiarto		1
10	ROTI	Nippon Indosari Corporindo Tbk		0			0			0	

11	SKBM	Sekar Bumi Tbk	Loddy Gunadi, Harry Lukmito, Freddy Adam, Inge Indriana Satyawan, Gary Iyawan, Pahlawan Hari Tjahjono		1	Harry Lukmito, Freddy Adam, Gary Iyawan, Loddy Gunadi, Inge Indriana Satyawan		1	Loddy Gunadi, Harry Lukmito, Freddy Adam, Inge Indriana Satyawan, Gary Iyawan, Pahlawan Hari Tjahjono		1
12	SKLT	Sekar Laut Tbk	Harry Sunogo, Loddy Gunadi		1	Welly Gunawan, Harry Sunogo, Loddy Gunadi		1	Welly Gunawan, Harry Sunogo, Loddy Gunadi, Harry Fong Jaya		1
13	ULTJ	Ultrajaya Milk Industry and Trading Company Tbk	Samudera Prawirawidjaja		1	Samudera Prawirawidjaja		1	Samudera Prawirawidjaja		1

Appendix 10. The Calculation of Earnings Management

a. The Calculation of Earnings Management on 2014

No	Code	NI	CF	TAC	TAt-i	TACt/TAt-i	1/TAt-i	Del REVt
1	AISA	3.78142E+11	3.5353E+11	24612000000	5.02582E+12	0.004897107	1.98972E-13	1.08324E+12
2	ALTO	10135298976	-30575376304	40710675280	1.50252E+12	0.027094942	6.65549E-13	-1.54798E+11
3	CEKA	39026238204	-1.47807E+11	1.86833E+11	1.06963E+12	0.1746713	9.34905E-13	1.16999E+12
4	DLTA	2.88073E+11	1.64247E+11	1.23827E+11	8.67041E+11	0.142815216	1.15335E-12	12186841000
5	ICBP	2.53168E+12	3.86084E+12	-1.32916E+12	2.12675E+13	-0.06249742	4.70202E-14	4.92778E+12
6	INDF	5.14632E+12	9.26932E+12	-4.123E+12	7.76114E+13	-0.053123564	1.28847E-14	7.9708E+12
7	MLBI	7.94883E+11	9.13005E+11	-1.18122E+11	1.78215E+12	-0.06628069	5.61121E-13	2.9885E+12
8	MYOR	4.09825E+11	-8.62339E+11	1.27216E+12	9.71022E+12	0.131012861	1.02984E-13	1.41691E+13
9	PSDN	-28175252332	21202281251	-49377533583	6.81832E+11	-0.07241888	1.46664E-12	-3.04472E+11
10	ROTI	1.88578E+11	3.64976E+11	-1.76398E+11	1.82269E+12	-0.096779041	5.4864E-13	3.74743E+11
11	SKBM	89115994107	48342031990	40773962117	4.97653E+11	0.081932588	2.00943E-12	1.84147E+11
12	SKLT	16480714984	23398218902	-6917503918	3.01989E+11	-0.022906439	3.31137E-12	1.14371E+11
13	ULTJ	2.83361E+11	1.28023E+11	1.55338E+11	2.81162E+12	0.055248654	3.55667E-13	4.56558E+11

DEL REVt/TAt-i	PPE	PPE / TAt-i	Beta 1	Beta 2	Beta 3	Del RECt	(Del REVt - Del RECt) / Tat-i	NDA	DA
0.216	1.78569E+12	0.355	-0.030	0.031	-0.032	4.394E+11	0.128	-0.007	0.012
-0.103	5.02483E+11	0.334	-0.002	-0.002	0.003	-7.448E+10	-0.053	0.001	0.026
1.094	2.2156E+11	0.207	-0.029	-1.225	0.257	3.12E+10	1.065	-1.251	1.426
0.014	1.13596E+11	0.131	0.459	0.335	-0.677	-1.2E+11	0.148	-0.039	0.182
0.232	5.83884E+12	0.275	0.198	-0.035	0.071	2.41E+11	0.220	0.012	-0.074
0.103	2.20115E+13	0.284	-0.259	-0.024	-0.001	-1.2E+12	0.118	-0.003	-0.050
1.677	1.31531E+12	0.738	0.093	0.480	0.220	5.62E+10	1.645	0.951	-1.018
1.459	3.58501E+12	0.369	0.344	-0.019	0.016	2.5E+11	1.433	-0.021	0.152
-0.447	2.94075E+11	0.431	-0.557	-0.070	0.085	1.73E+10	-0.472	0.070	-0.142
0.206	1.67998E+12	0.922	-0.042	-0.078	0.167	3.06E+10	0.189	0.140	-0.236
0.370	2.50714E+11	0.504	0.242	-0.069	0.092	-2.9E+10	0.428	0.017	0.065
0.379	1.35211E+11	0.448	-0.593	-0.285	0.196	7.43E+09	0.354	-0.013	-0.010
0162	1.00323E+12	0.357	0.034	0.154	-0.147	2.66E+10	0.153	-0.029	0.084

b. The Calculation of Earnings Management on 2015

No	Code	NI	CF	TAC	TAt-i	TACt/TAt-i	1/TAt-i	Del REVt
1	AISA	3,7375E+11	3,99185E+11	-25435000000	7,37387E+12	-0,003449343	0,0000000000001	8,71E+11
2	ALTO	-24345726797	-11384467878	-12961258919	1,23905E+12	-0,010460612	0,0000000000008	-3,1E+10
3	CEKA	1,06549E+11	1,68614E+11	-62064923254	1,09416E+11	-0,567238177	0,0000000000091	-2,2E+11
4	DLTA	1,92045E+11	2,46625E+11	-54580215000	9,97443E+11	-0,054720125	0,0000000000010	-1,8E+11
5	ICBP	2,92315E+12	3,48553E+12	-5,62385E+11	2,49102E+13	-0,022576485	0,000000000000040	1,72E+12
6	INDF	3,7095E+12	4,21361E+12	-5,04112E+11	8,60773E+13	-0,005856507	0,00000000000001	4,67E+11
7	MLBI	4,96909E+11	9,19232E+11	-4,22323E+11	2,23105E+12	-0,189293297	0,0000000000004	2,7E+12
8	MYOR	1,25023E+12	2,33679E+12	-1,08655E+12	1,0298E+13	-0,105511039	0,0000000000001	6,5E+11
9	PSDN	-42619829577	-22726926832	-19892902745	6,22508E+11	-0,031956044	0,0000000000016	-5,5E+10
10	ROTI	2,70539E+11	5,55512E+11	-2,84973E+11	2,14289E+12	-0,132985161	0,0000000000005	2,94E+11
11	SKBM	40150568621	62469996482	-22319427861	6,52977E+11	-0,034181058	0,0000000000015	-1,2E+11
12	SKLT	20066791849	29666923359	-9600131510	3,36932E+11	-0,028492758	0,0000000000030	6,37E+10
13	ULTJ	5,231E+11	6,69463E+11	-1,46363E+11	2,91813E+12	-0,050156403	0,0000000000003	4,77E+11

DEL REVt/TAt-i	PPE	PPE / TAt-i	Beta 1	Beta 2	Beta 3	Del RECt	(Del REVt - Del RECt) / Tat-1	NDA	DA
0.118	2.29041E+12	0.311	-0.049	-0.024	-0.029	6.345E+11	0.032	-0.010	0.006
-0.025	5.83094E+11	0.471	0.149	-0.039	-0.120	-1.3E+10	-0.014	-0.056	0.046
-1.975	2.21003E+11	2.020	0.652	3.489	-5.484	-5.49E+10	-1.474	-16.220	15.653
-0.180	1.05314E+11	0.106	-1.274	1.403	2.119	-6.6E+10	-0.114	0.064	-0.119
0.069	6.55566E+12	0.263	0.045	0.017	0.006	4.879E+11	0.049	0.002	-0.025
0.005	2.50963E+13	0.292	-0.416	-0.112	0.039	7.007E+11	-0.003	0.012	-0.018
1.209	1.26607E+12	0.567	-0.120	-4.660	-3.115	-1.72E+11	1.286	-7.759	7.570
0.063	3.7707E+12	0.366	0.242	0.071	0.019	3.221E+11	0.032	0.009	-0.115
-0.088	2.87328E+11	0.462	0.151	-0.042	-0.111	-4.31E+10	-0.019	-0.051	0.019
0.137	1.82138E+12	0.850	-0.127	0.360	0.429	3.537E+10	0.121	0.408	-0.541
-0.182	3.93331E+11	0.602	0.285	-0.064	-0.141	-1.48E+10	-0.159	-0.075	0.041
0.189	1.48557E+11	0.441	0.223	0.045	-0.088	7.349E+09	0.167	-0.031	0.003
0.164	1.16071E+12	0.398	0.000	0,000	0,000	5,303E+10	0.145	0.000	-0.050

c. The Calculation of Earnings Management on 2016

No	Code	NI	CF	TAC	TAt-i	TACt/TAt-i	1/TAt-i	Del REVt
1	AISA	7.19228E+11	4.6358E+11	2.55648E+11	9.06098E+12	0.02821417	1.10363E-13	5.3479E+11
2	ALTO	-26500565763	20444874139	-46945439902	1.18023E+12	-0.03977658	8.47294E-13	-5.31E+09
3	CEKA	2.49697E+11	1.76087E+11	73609696264	1.48583E+12	0.04954126	6.73026E-13	6.2981E+11
4	DLTA	2.54509E+11	2.59852E+11	-5342238000	1.03832E+12	-0.00514507	9.63092E-13	7.5461E+10
5	ICBP	3.6313E+12	4.58496E+12	-9.53663E+11	2.65606E+13	-0.03590514	3.76497E-14	3.4466E+13
6	INDF	5.26691E+12	7.1756E+12	-1.9087E+12	9.18315E+13	-0.02078477	1.08895E-14	6.675E+13
7	MLBI	9.82129E+11	1.24847E+12	-2.6634E+11	2.10085E+12	-0.12677708	4.75997E-13	5.6699E+11
8	MYOR	1.38868E+12	6.59314E+11	7.29362E+11	1.13427E+13	0.06430223	8.81623E-14	3.5312E+12
9	PSDN	-36662178272	24429296083	-61091474355	6.20399E+11	-0.09847129	1.61187E-12	4.7999E+10
10	ROTI	2.79777E+11	4.14702E+11	-1.34925E+11	2.70632E+12	-0.04985548	3.69505E-13	3.4742E+11
11	SKBM	22545456050	-33834235357	56379691407	7.64484E+11	0.07374866	1.30807E-12	1.3887E+11
12	SKLT	20646121074	1641040298	19005080776	3.77111E+11	0.05039655	2.65174E-12	8.8743E+10
13	ULTJ	7.09826E+11	7.79109E+11	-69283010094	3.54E+12	-0.01957149	2.82486E-13	2.9206E+11

DEL REVt/TAt-i	PPE	PPE / TAt-i	Beta 1	Beta 2	Beta 3	Del RECt	(Del REVt - Del RECt) / Tat-1	NDA	DA
0.059	2.58724E+12	0.286	-0.254	-0.290	-0.058	4.15111E+11	0.013	-0.020	0.049
-0.004	6.05274E+11	0.513	0.011	0.080	-0.036	48999791365	-0.046	-0.022	-0.018
0.424	2.15976E+11	0.145	0.355	0.222	-0.410	22167295243	0.409	0.031	0.018
0.073	96275498000	0.093	-0.139	0.029	0.269	118002000	0.073	0.027	-0.032
1.298	7.11429E+12	0.268	-0.244	-1.024	0.059	5.23372E+11	1.278	-1.293	1.257
0.727	2.57019E+13	0.280	0.046	0.006	-0.009	1.82755E+12	0.707	0.002	-0.023
0.270	1.27802E+12	0.608	0.065	-0.042	-0.539	79809000000	0.232	-0.338	0.211
0.311	3.85942E+12	0.340	-0.386	-0.252	0.018	6.7722E+11	0.252	-0.057	0.121
0.077	2.8216E+11	0.455	-0.399	-0.020	0.118	64745242474	-0.027	0.054	-0.153
0.128	1.84272E+12	0.681	0.099	0.074	-0.176	31709611469	0.117	-0.111	0.061
0.182	4.36019E+11	0.570	0.294	0.135	0.191	63796665912	0.098	0.122	-0.048
0.235	2.99674E+11	0.795	0.570	0.497	0.802	21769911666	0.178	0.725	-0.675
0.083	1.04207E+12	0.294	0.030	0.064	0.040	14293659898	0.078	0.017	-0.036

Appendix 11. The Result of Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
EM	39	-1,0176	15,6532	,605631	2,7800921
SIZE	39	26,5271	32,1510	28,733172	1,5363777
LEV	39	,0002	,7518	,466872	,1801127
IBC	39	,2000	,4286	,343053	,0525989
AQ	39	0	1	,54	,505
MO	39	0	1	,54	,505
Valid N (listwise)	39				

Appendix 12. The Result of Classic Assumption Test

A. Normality Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		39
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	0.56759359
Most Extreme Differences	Absolute	,132
	Positive	,132
	Negative	-,070
Test Statistic		,132
Asymp. Sig. (2-tailed)		,087[c]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

B. Multicollinearity Test

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	T	Sig.	Tolerance	VIF
1 (Constant)	1,425	2,202		,647	,522		
SIZE	-,023	,069	-,051	-,328	,745	,861	1,161
AQ	,284	,235	,211	1,206	,236	,692	1,445
MO	-,360	,227	-,267	-1,581	,123	,740	1,351
LEV	,154	,120	,210	1,280	,209	,780	1,282
IBC	3,497	1,492	,393	2,344	,025	,749	1,336

a. Dependent Variable: EM

C. Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,552[a]	,304	,199	,60908	2,049

a. Predictors: (Constant), IBC, SIZE, MO, LEV, AQ

b. Dependent Variable: EM

D. Heterocedasticity Test

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	,052	7,448		,007	,994
SIZE	-,102	,241	-,071	-,422	,676
AQ	-,208	,839	-,048	-,248	,806
MO	-1,471	,772	-,337	-1,907	,065
LEV	2,509	2,025	,205	1,239	,224
IBC	-,448	7,593	-,011	-,059	,953

a. Dependent Variable: LNRES

Appendix 13. The Result of Hypothesis Test

A. The First Hypothesis

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	SIZE[b]	.	Enter

a. Dependent Variable: EM

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,083[a]	,007	-,020	,68725

a. Predictors: (Constant), SIZE

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2,058	2,088		-,985	,331
	SIZE	,037	,073	,083	,506	,616

a. Dependent Variable: EM

B. The Second Hypothesis

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	LEV[b]	.	Enter

a. Dependent Variable: EM

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,030[a]	,001	-,026	,68931

a. Predictors: (Constant), LEV

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1,015	,130		-7,793	,000
	LEV	-,022	,120	-,030	-,184	,855

a. Dependent Variable: EM

C. The Third Hypothesis

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	IBC[b]	.	Enter

a. Dependent Variable: EM

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,413[a]	,171	,148	,62802

a. Predictors: (Constant), IBC

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,726	,634		1,145	,260
	LGIBC	3,673	1,331	,413	2,759	,009

a. Dependent Variable: EM

D. The Fourth Hypothesis

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	AQ[b]	.	Enter

a. Dependent Variable: EM

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,402[a]	,161	,139	,63151

a. Predictors: (Constant), AQ

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-1,294	,149		-8,691	,000
AQ	,541	,203	,402	2,669	,011

a. Dependent Variable: EM

E. The Fifth Hypothesis

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	MO[b]	.	Enter

a. Dependent Variable: EM

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,254[a]	,065	,039	,66698

a. Predictors: (Constant), MO

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-,818	,157		-5,202	,000
	MO	-,342	,214	-,254	-1,598	,119

a. Dependent Variable: EM

F. The Sixth Hypothesis

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	IBC, SIZE, MO, LEV, AQ[b]	.	Enter

a. Dependent Variable: EM

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,552[a]	,304	,199	,60908

a. Predictors: (Constant), IBC, SIZE, MO, LEV, AQ

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5,354	5	1,071	2,887	,029[b]
	Residual	12,242	33	,371		
	Total	17,596	38			

a. Dependent Variable: EM

b. Predictors: (Constant), IBC, SIZE, MO, LEV, AQ

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,425	2,202		,647	,522
	MO	-,360	,227	-,267	-1,581	,123
	SIZE	-,023	,069	-,051	-,328	,745
	AQ	,284	,235	,211	1,206	,236
	LEV	,154	,120	,210	1,280	,209
	IBC	3,497	1,492	,393	2,344	,025

a. Dependent Variable: EM