Earnings Management and Firm Financial Motives
An Empirical Study on Manufacturing Companies in Indonesia

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Abstract

This study aims to determine whether companies with high level of political costs, close to debt covenant violation, issuing equity or bonds, applying a bonus based earnings, achieving and/or exceeding analyst's forecasts, have effect on earnings management. In addition, this study examines whether this relationship are influenced by some company financial conditions, such as the level of profitability, size, leverage, growth, liquidity, and investment. Previous studies generally focus only on one type of motivation to perform earnings management. Therefore, this study enhances the literatures by studying comprehensively various events that may motivate companies to perform earnings management. The results show the level of political costs, bonus based earnings, and benchmarking financial analyst forecasts have significant positive effects on earnings management. Meanwhile, the events of debt covenant violation, issuance of equity or bond have no effect on earnings management. The company financial condition moderated the association between each motive to earnings management, although there is no significant direct impact between financial conditions to earnings management.

Key words: *earnings management, motivation, financial condition*

INTRODUCTION

Earnings information is a component of company's financial statements that aims to assess the performance of management, helps to estimate the use of profit in the long term, as well as assess the risks in investing. Management realized it, so that management tends to do disfunctional behavior by performing earnings management to resolve conflicts that arise between management with stakeholders. Many companies believe that the stock price will increase if the reported net profit increased constantly every year. Therefore, companies management usually choose accounting procedures that produce a certain income to meet the desired targets. The owner also tried to encourage management to maximize their utility in achieving the set targets, with the aim that the entity looks good financially. This practice is known as earnings management.

A number of facts related to earnings management usually in a form of corporate fraud cases. Enron financial scandal that led to the US public to doubt the integrity and credibility of the business community. In the case of Enron known occurrence of moral hazard behavior among manipulation of financial statements with a record profit of 600 million US dollars when the company suffered a loss. Case of earnings management in Indonesia also appears on the PT. Kimia Farma Tbk. In its audit report, Bapepam found indications of a mark-up for profit which was written in 2004 to Rp. 132 billion, actually only worth Rp. 99.594 billion.

However, not all earnings management behavior aiming for a negative side. Scott (2012: 415) states that earnings management also has a positive side. From the perspective of contracting, good earnings management said related to efficient contracting. Earnings management can be a tool to convey information that is available in the company to the market and determine the stock price to better reflect the company's prospects in the future.

Detection of the likelihood of earnings management is investigated through the use of discretionary accruals and non-discretionary accrual. Defond and Park (1997) also found evidence that 27.3% of the sample companies have been doing earnings management practices by raising or lowering the level of discretionary. The use of discretionary accruals proved done by managers to manipulate earnings because it is more difficult to detect.

Past research has shown a variety of motivations for doing earnings management. However, previous studies often focus only on one motivation alone in the tests performed. Meanwhile, Kasanen et al. (1996) documented that companies manipulate earnings upwards in response to pressure from shareholders to pay dividends to them. Burgstahler and Dichev (1997) stated that the company will manipulate earnings upwards to avoid reporting losses and reduction of reported earnings. DeGeorge et al. (1999) also documented that companies manipulate earnings to achieve earnings that had been predicted by analysts.

Zmijewski and Hagerman (1981) in Chen, et al. (2011) stated that large companies tend to use accounting policies that actually reduce earnings. McKee, et al. (1984) in Chen, et al. (2011) states that when using sales as a proxy for political costs showed similar results. In order to avoid debt covenant violations, which would affect the condition or description negatively enterprise market and weaken the credibility and the terms of the loan, the company may choose to perform earnings management practices. Watts and Zimmerman (1986) stated positive accounting theory predicts that the company which approached the failure of the debt agreement will choose income increasing accounting to minimize debt barriers they face.

In order to obtain the necessary capital, the company will give a signal to the market by issuing shares (equity capital) or obligation (debt capital). Therefore, many companies are likely to engage in earnings management practices to give a good impression for capital providers and make the issuance of shares and debt capital become attractive to investors. (See Hirshleifer, Hou, Teoh, & Zhang, 2004). Shivakumar (2000) states that there are earnings management behavior around seasoned equity offerings.

Managers can also use earnings management techniques to increase the compensation arrangements. Accounting scheme based compensation encourages CEOs to manipulate earnings, which is it becomes important for board members to be more active in carrying out supervisory role (Laux and Laux, 2008). Compensation in the form of shares (stock-based compensation), on the one hand, motivate the executive to try to increase firm value.

Management of the company also concerns to the ability to achieve or exceed financial analysts' earnings forecasts. It is caused by the company's expectations for maintaining the status and well-being. Bartov (2002) states that companies become more successful in meeting or beeting earnings expectations (MBE) by controlling the absolute earnings performance in order to achieve the expected expectations.

In the condition when managers try to maximize corporate profits and stock value, managers sometimes tend to take advantage of earnings management practices (Amethyst, Miller, Yoon, Kim, 2008; Amethyst, Kim, & Mathur, 2008). Iatridis and Kadorinis (2009) states that management uses earnings management procedures in order to improve the look of the company's financial condition and make the stock market participants to be impressed.

This study uses the manufacturing sector industries listed on Indonesia Stock Exchange in the period 2010 - 2012. Researchers chose manufacturing companies as the sample because the manufacturing sector is the sector with the highest number, ie 31.96% in 2010 , 30.49% in 2011, and 29.31% in 2012 among 9 sectors of industries based IDX,

Based on the background that suggests a motivation in doing earnings management as well as the fact that many companies in Indonesia are still doing earnings management practices, the research found there is still a gap in previous studies on this issue. This study aims to identify the motives of earnings management. This study focuses on the influence of political conditions of cost, debt covenant violation, executive compensation, equity and debt capital, and financial analysts' forecasts for earnings management practices. This study also aims to identify the financial atributes in terms of profitability, growth, leverage, liquidity, size, and the company's investment-related effects on earnings management practices.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Scott (2012: 304) states that Positive accounting theory (PAT) is concerned with predicting such actions as the choices of accounting policies by firm managers and how managers will respond to proposed new accounting standards. Scott (2012: 307) states that the predictions made by PAT are largely organized around three hypothesis, formulated by Watts and Zimmerman (1986).

Bonus Plan Hypothesis states that managers of firms with bonus plans are more likely to choose accounting procedures that shift reported earnings from future periods to the current period. Debt Covenant Hypothesis states that the closer a firm is to violation of accounting-based debt covenants, the more likely the firm manager is to select accounting procedures that shift reported earnings from future periods to the current period.Political Cost Hypothesis states that managers in selecting accounting policies will tend to delay the procedure reported earnings of the current period to the future period.

Watts and Zimmerman (1978) in Chen, et al. (2011) stated that compared to small-sized companies, large companies prefer profit that has been adjusted to be smaller than the original unadjusted earnings. Watts and Zimmerman (1986) state the reasons why large companies are more likely to report a smaller profit. This is caused when the government considers that the profit generated by the company showed high profits, the government is likely to implement a policy that allows the company to be able to transfer wealth to the government, for instance through taxes or other government policies. Therefore, managers of the companies affected by the new regulations of the government would have the incentive to undertake income decreasing earnings management during the supervision period of administration is still very strong (Watts and Zimmerman, 1986). Thus, the first hypothesis can be arranged as follows.

H_1 : Companies with a high level of political costs have a higher propensity to manage earnings.

The debt covenants violation will reflect the difficulty of liquidity and profitability of the company and will affect the reputation and credibility of the company indirectly. Therefore, managers may tend to perform earnings management with the aim to satisfy the debt agreement which is determined by the lenders as well as reduce the likelihood of debt covenant violation and financial distress (Healy and Wahlen, 1999; Lambert, 2001). Thus, the second hypothesis can be arranged as follows

H_2 : Companies that near to debt covenant violation has a higher tendency to perform earnings management.

For afirm to reinforce its viability and fulfil its investment and growth plans, it has to make sure that it can obtain smooth access to equity and debt capital markets. To obtain unhindered access to capital markets and attract investors, afirm would need to display sound financial numbers and favourable future financial prospects. It appears therefore that, prior to an equity or debt issue, managers might use discretionary accruals in order to improve their firm financial performance and impress stock market participants, and thus make the issue attractive and successful (Iatridis and Kadorinis, 2009).

Therefore, prior to the issuance of equity, the manager may use discretionary accruals to earnings management. This is done with the aim to improve the financial performance of the company and give a good impression in the eyes of market participants so that the issuance of equity capital can be an interesting and successful (Erickson and Wang, 1999; Shivakumar, 2000). Thus, the third (a) hypothesis can be arranged as follows.

H_{3a} : Companies that issue equity capital have a higher propensity to manage earnings.

Kale and Meneghetti (2011) states that there are different informations obtained by bank than bond holders when the company decided to get a bank loan rather than through the issuance of bonds. This is due to Bank has more ability to monitor the performance of the management after the loan was granted rather than bond holders with dispersed ownership structure. In moral hazard models, the Bank is monitoring agent that can provide better information than the bond holders after the loan granted to the company. Kale and Meneghetti (2011) concluded that the current level of surveillance (monitoring) of the lenders are very strict, then the company would prefer to obtain debt financing from the issuance of bonds which have a lower level of control making it easier for companies to conduct earnings management. Thus, it can be arranged third (b) hypothesis as follows.

H_{3b} : Companies that issue debt capital (bonds) have a higher propensity to manage earnings

Healy (1985) in Bergstresser and Philippon (2006) find evidence that managers manipulate earnings to play the bonus earned. Healy (1985) also found that there is a policy manager accruals related to nonlinear incentive bonuses contained in the contract. Therefore, managers may tend to manipulate reported earnings by using discretionary accruals to profitably can influence and maximize the compensation they receive (Holthausen et al, 1995;. Gao and Shrieves, 2002; Kadan and Yang, 2005). Thus, the fourth hypothesis can be arranged as follows.

H_4 : Companies that provide compensation for the executive, have a higher propensity to manage earnings.

Iatridis and Kadorinis (2009) stated that in order to meet financial analysts' forecasts is essential for the survival and stability of the company and also for ensuring access to capital markets and facilitating firms' growth potential. Scott (2012) stated the company is motivated to generate profits that can reach even exceed the analyst's forecast, because if the income generated under the analyst's forecast, then the sanctions received from the market would be larger Thus, in their effort to boost their earnings and comply with analysts' forecasts, firms might be inclined to use earnings management (Bartov et al., 2002; Schwartz, 2002; Brown and Pinello, 2007). The fifth hypotheses can be arranged as follows.

H_5 : The company aims to achieve financial analyst's forecast has a higher tendency to do earnings management.

Of the various motivations that may appear to perform earnings management, Iatridis and Kadorinis (2009) conclude by giving a general overview of the financial characteristics of companies that use discretionary accruals. Iatridis and Kadorinis (2009) using six variables describing the financial characteristics of the company, ie, profitability, growth, leverage, liquidity, size, and investment.

Skinner and Sloan (2002) states that companies with growth opportunities have pressure to meet earnings thresholds, so that companies with high growth potential will tend to manage earnings.

A company with growth measurements and high liquidity, have a tendency to reveal more than they should be (voluntary disclosure accounting) (Durnev & Kim, 2005; Martikainen, 1997; Reese and Weisbach, 2002 in Iatridis, 2008). Heflin et al. (2001) in Riahi et al. (2013) stated that high-quality disclosure will increase market liquidity by reducing information asymmetry.

Accounting firm serving voluntary disclosures may be less likely to manipulate earnings (Lobo and Zhou, 2001; Jo and Kim, 2007). Thus, it can be concluded that companies with high liquidity will have a lower tendency to perform earnings management.

Zimmer (1986) in Skinner (1993) states that there is a direct relationship between the investment opportunity set with the accounting policies applied in the real estate industry in Australia. Myers (1977) in Skinner (1993) measures the investment opportunity set for asset-in-place using a proxy ratio of gross book value of property, plant, and equipment (PPE) to the market value of the company. The basis of this measurement is an investment company in the form of PPE symbolizes assets-in-place.

Lee and Choi (2002) find that firm size is a variable that affects the tendency of companies to manipulate earnings.Albertcth and Richardson (1990) found evidence that large companies will have less incentive to do income smoothing than small companies.

Research Welvin and Arleen (2010) stated that the profitability effect on earnings management. This can happen because earnings are important indicators of doing business. Additionally, Irpan (2011) found that the profitability of significant negative effect on earnings management. This is due to the high level of profitability the company already has a good image so that no action is required earnings management. Instead, order and Herawaty (2010), Tri Widyastuti (2009) in Irawan (2013) showed that the greater the level of profitability, the greater the earnings management.

Scott (2012: 432) stated motive contractual (including leverage), firms with high leverage ratio alleged earnings management because the company threatened default, which can not meet debt payment obligations on time.Watts and Zimmerman (1986) states that the company's debt ratio high will tend to use earnings management to avoid debt covenant violations. Iatridis and Kadorinis (2009) states that there is a positive relationship between discretionary accruals with leverage to companies who approach the debt covenant violation. Thus, the sixth hypothesis can be arranged as follows.

H_6 : Companies with financial measures that are not beneficial, have a higher tendency to produce high value of discretionary accruals.

METODE PENELITIAN

This research used firms from manufacturing industries listed on the Indonesia Stock Exchange in the period 2010-2012. The samples in this study were chosen using a non-probability - purposive sampling, a technique which a sample is chosen as an object research with a number of specific criteria (Efferin, et al. 2008).

Criteria established that the manufacturing sector enterprises listed on the Indonesia Stock Exchange shall have the financial statements and annual reports during the research period 2010-2012 so that the company's annual information can be known, not experience delisted during the period of the study, presents the financial statements denominated in Rupiah with period ended December 31, do not have a total negative equity in year t-1, as well as having the required data related to the variables used in this research. New business entity registered in the mid-year are not included in the study due to isolate the effect of the IPO. This is due to the tendency of companies that perform earnings management during the IPO so that we do not include a new company registered in the mid-year.

In this study, the dependent variable is discretionary accruals ($DAC_{i,t}$) which has been made as an absolute value. Non-discretionary accruals are predictive of total accruals. While discretionary accruals is the residual value of total accruals after deducting non-discretionary total accruals (Scott, 2012: 313-314). According to Daniel, Denis and Naveen (2008) Total Accruals can be found using the equation as follows :

$$TACC_t = NI_t – OCF_t \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (1)$$

After that, calculate non discretionary accruals is regressed with cross sectional Jones model (1991) in Daniel, Denis, and Naveen (2008) as follows:

$$\frac{TACC_{i,t}}{TA_{i,t-1}} = \alpha_0 \frac{1}{TA_{i,t-1}} + \alpha_1 \frac{Sales_{i,t} - Sales_{i,t-1}}{TA_{i,t-1}} + \alpha_2 \frac{PPE_{i,t}}{TA_{i,t-1}} + \varepsilon_{it} \ldots\ldots\ldots (2)$$

Furthermore, the value of α0, α1, and α2 which is obtained from the above regression is used to find the value of non-discretionary accruals by the following equation

$$\frac{NDAC_{i,t}}{TA_{i,t-1}} = \alpha_0 \frac{1}{TA_{i,t-1}} + \alpha_1 \frac{Sales_{i,t} - Sales_{i,t-1}}{TA_{i,t-1}} + \alpha_2 \frac{PPE_{i,t}}{TA_{i,t-1}} + \varepsilon_{it} \ldots\ldots\ldots (3)$$

Meanwhile, calculate the total discretionary accruals by the formula :

$$\frac{DTACC_{i,t}}{TA_{i,t-1}} = \frac{TACC_{i,t}}{TA_{i,t-1}} - . \frac{NDAC_{i,t}}{TA_{i,t-1}} \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (4)$$

Notes :

NI = *net income*

OCF = *operating cash flow*

REV = *revenue*

PPE = *property, plant,and equipment*

NDACt = *non-discretionary total accruals*

DTACCt = *discretionary total accruals*

TACCt = *total accruals*

This study follows the previous research by Iatridis and Kadorinis (2009), there are five main independent variables in this study, which includes:

- DVi, t is a dummy variable that indicates various types of proxies depending on the type of hypothesis to be tested. As for $DV_{i,t}$ is divided into 5 types,which are described as follows :
  a. DVPOLi,t as the dummy variables that indicate the level of political cost
     - DVPOLi,t is valued as 1 if the firm used in this study period classified as having a high level of political cost. The company is said to have a high level of political cost if the value of total assets over median of company's total assets used in the study.

- DVPOLi, t is valued as 0 if the company used in this study period classified as having a low level of political cost. The company is said to have a low level of political cost if the value of the total assets less than or equal to the median total assets of the entire company used in the study.

The value of the total assets are used from company's statements of financial position

b. DVDEBTi, t as the dummy variables that indicate the condition of the company which is near with debt covenant violation

- DVDEBTi,t is valued as 1 if the firm used in this research would have threatened violation of debt covenants. A firm is said in debt covenant violation condition if the value of the interest cover ratio is less than or equal to 1.
- DVDEBTi, t is valued as 0 if the firm used in this research was not in danger of being run into debt covenant violation. The company is said to be in danger of experiencing a debt covenant violation if the value of the interest cover ratio is more than 1

Interest cover ratio is formulated as follows:

$$\textit{Interest cover ratio} = \frac{\text{EBIT}}{\text{Interest Expense}} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \text{(5)}$$

Keterangan :

EBIT = *earnings before interest and tax*

Value of EBIT and interest expense may be obtained from the income statement of each company in the manufacturing sector.

c. DVIEQi,t as the dummy variable that indicates the company that issued the equity component

- DVIEQi,t is valued as 1 if the firm used in this ressearch issuing equity component, in the form of new shares, rights issue, warrants, and stock split.
- DVIEQi, t is valued as 0 if the company used in this research did not publish a component of equity, in the form of new shares, rights issue, warrants, and stock split.

Information about issuance of equity can be seen on the notes to the financial statements of the company.

d. DVIDEBi,t as the dummy variable that indicates the company that issued the bond.

- DVIDEBi,t is valued as 1 if the firm used in this research issuing bonds.
- DVIDEBi,t is valued as 0 if the firm used in this research did not issue bonds.

Information about issuance of bonds can be seen on the notes to the financial statements of the company.

g. DVEXi,t as the dummy variables that indicate total amount of executive compensations
   - DVEXi,t is valued as 1 if the firm used in this research gives high compensation (management emoluments) to the executives. The company is said to provide high management emoluments if the remuneration given is more than the median of total remuneration.
   - DVEXi,t is valued as 0 if the firm used in this research gives low (management emoluments) to the executives. The company is said to provide a low management emoluments if the remuneration given is less than the median of total remuneration.

   Information about total remunerations given to the executives can be seen on the notes to the financial statements or annual report of the company.
h. DVFORi,t is valued as the dummy variables that indicate the level achievement of financial analyst's forecasts.
   - DVFORi,t is valued as 1 if the firm used in this research may reach or exceed financial analyst's forecasts.
     The company is said to be able to achieve or exceed the financial analyst's forecasts when the actual earnings per share (actual EPS) is greater than the forecasted earnings per share (forecasted EPS).
   - DVFORi, t is 0 if the company used in the period of this study can not be reached or exceeded financial analyst's forecasts.
     The company is said to not reach or exceed financial analyst's forecasts when the actual earnings per share (actual EPS) is less than or equal to the forecasted earnings per share (forecasted EPS).

   Value of the actual EPS is EPS for the year t. Meanwhile, value of the forecasted EPS is EPS for the year t-1. EPS values can be obtained from the income statement of the firm.

There are several control variables in this research based on the research of Iatridis and Kadorinis (2009), which consists of (1) operating cash flow (OCF), (2) the natural logarithm of the market value (LNMV), (3) operating profit margin (OPM), and (4) the total liabilities to shareholders' funds (TLSFU).

Model 1 used to test the first hypothesis (H_1), formulated as follows :

$$DTACC_t = \alpha + \beta 1\ (DVPOL_{i,t}) + \beta 2\ (DVOCFPOL_{i,t}) + \beta 3\ (DVLNMVPOL_{i,t}) + \beta 4\ (DVOPMPOL_{i,t}) + \beta 5\ (DVTLSFUPOL_{i,t}) + e \ldots\ldots\ldots\ldots\ldots\ldots (6)$$

- For H_1, the value of $\beta1 > 0$ means show a positive relationship between the level of the political cost of the company with earnings management.

Model 2 used to test the second hypothesis (H_2), formulated as follows :

$DTACC_t = \alpha + \beta1\ (DVDEBT_{i,t}) + \beta2\ (DVOCFDEBT_{i,t}) + \beta3\ (DVLNMVDEBT_{i,t}) + \beta4\ (DVOPMDEBT_{i,t}) + \beta5\ (DVTLSFUDEBT_{i,t}) + e$.................. (7)

- For H_2, the value of $\beta1 > 0$ means show a positive relationship between the condition of the company near to *debt covenant violation* with earnings management.

Model 3a used to test the third hypothesis (H_{3a}), formulated as follows :

$DTACC_t = \alpha + \beta1\ (DVIEQ_{i,t}) + \beta2\ (DVOCFIEQ_{i,t}) + \beta3\ (DVLNMVIEQ_{i,t}) + \beta4\ (DVOPMIEQ_{i,t}) + \beta5\ (DVTLSFUIEQ_{i,t}) + e$.................................. (8)

- For H_{3a}, the value of $\beta1 > 0$ means show a positive relationship between the condition of the company issuing equity with earnings management.

Model 3b used to test the third hypothesis (H_{3b}), formulated as follows :

$DTACC_t = \alpha + \beta1\ (DVIDEB_{i,t}) + \beta2\ (DVOCFIDEB_{i,t}) + \beta3\ (DVLNMVIDEB_{i,t}) + \beta4\ (DVOPMIDEB_{i,t}) + \beta5\ (DVTLSFUIDEB_{i,t}) + e$......................... (9)

- For H_{3b}, the value of $\beta1 > 0$ means show a positive relationship between the condition of the company issuing bonds with earnings management.

Model 4 used to test the fourth hypothesis (H_4), formulated as follows :

$DTACC_t = \alpha + \beta1\ (DVEX_{i,t}) + \beta2\ (DVOCFEX_{i,t}) + \beta3\ (DVLNMVEX_{i,t}) + \beta4\ (DVOPMEX_{i,t}) + \beta5\ (DVTLSFUEX_{i,t}) + e$.................................... (10)

- For H_4, the value of $\beta1 > 0$ means show a positive relationship between the amount of executive compensation given by the firm with earnings management.

Model 5 used to test the fifth hypothesis (H_5), formulated as follows :

$DTACC_t = \alpha + \beta1\ (DVFOR_{i,t}) + \beta2\ (DVOCFFOR_{i,t}) + \beta3\ (DVLNMVFOR_{i,t}) + \beta4\ (DVOPMFOR_{i,t}) + \beta5\ (DVTLSFUFOR_{i,t}) + e$................................ (11)

- For H_5, the value of $\beta1 > 0$ means show a positive relationship between financial analyst's forecast with earnings management.

Model 6 used to test the sixth hypothesis (H_6), formulated as follows :

$DA_{i,t} = a_0 + a_1\ Profitability_{i,t} + a_2\ Growth_{i,t} + a_3\ Leverage_{i,t} + a_4\ Liquidity_{i,t} + a_5\ Size_{i,t} + a_6\ Investment_{i,t} + e_{i,t}$...(12)

Data for model 1 to 5 are analyzed by using ordinary least square regression. Before the ordinary least square regression, researcher tested the classical assumption for all data used in this research include the normality test, heterokedasticity test, autocorrelation test, and multicollinearity test. All the data used in this research must pass the classical assumptions test. After all the data pass classical assumption test, it will be analyzed by

ANOVA test (F test), partial test (t-test), the coefficient of determination (R_2) and correlation coefficient (r). Meanwhile, the model 6 is analyzed by using binary logistic regression analysis to examine the effect of financial firm attributes to the intensity of discretionary accruals which becomes the dependent variable in this sixth hypothesis. $Da_{i,t}$ is a dummy variable that indicates the intensity of discretionary accruals.

Result and Discussion

This section will discuss the results of each modeling and theorities explanation behind it.

Result and Analysis of Hypothesis 1

Table 1

Regression Test Results Hypothesis 1

Variabel	Hyphotesis 1 - Model 1		
	F sig = 0.000		
	β	t	Sig.
(Constant)	0.063	16.222	0.000*
DVPOL t	0.024	3.269	0.001*
DVOCFPOL t	-0.188	-4.883	0.000*
DVOPMPOL t	0.090	2.039	0.042*
DVTLSFUPOL t	-5.687E-6	-0.006	0.995

* t test significant at 0.1

From the test results of t-test, there is a positive relationship between the level of firm's political cost (DVPOLt) to discretionary accruals (DTACCt). These test results suggest that the level of firm's political cost affects the tendency of companies to manage earnings, although whether patterned income decreasing or income increasing is not measured specifically.

Watts and Zimmerman (1990) through the political cost hypothesis states that the bigger the company, the managers tend to choose accounting procedures that postponed the earnings reported in this period to the next period (income decreasing). Moses (1987), Michaelson, et al. (1995) in Siregar and Main (2008) also stated that the increasingly large-sized companies have a tendency to smooth profits than small-sized companies.

In contrast, the results of Kim and Liu (2003) stated that the company with the larger size will be more aggressive in earnings management practices to avoid reporting declining profits. Rahmani and Akbari (2013) agree with Kim and Liu (2003) that the level of firm's political cost has a significant positive correlation with earnings management due to large-sized companies generally have a system of internal control and good corporate governance and strive to always maintain its reputation by not decreasing profits.

From the test results of t-test, there are three other control variables that are related to the operating cash flow (DVOCFPOL), profitability (OPM), and the level of leverage (TLSFU). The test result of t-test on DVOCFPOLt variable showed a negative relationship between cash flow from operations on a large-sized enterprise (DVOCFPOLt) and discretionary accruals (DTACCt). DVOCFPOLt results in accordance with the current state of the greater size of the company, then the value of operating cash flow will tend to be positive. This means the bigger operating cash flows in the company with high political cost, then the tendency of company to manage earnings will be minimal. Yoon and Miller (2002) also showed a negative correlation between total accruals to operating cash flow.

The test results of t-test on DVOPMPOLt variables showed a positive relationship between the level of profitability (OPM) in the large-sized enterprise (DVOPMPOLt) and discretionary accruals (DTACCt). This result indicates the size of the company led to the emergence of higher expectations from people outside the company, for example, reported earnings did not decline from the previous year's profit.

The test results of t-test on DVTLSFUPOLt variable showed no relationship between the level of the debt ratio (leverage) in the large-sized enterprise (DVTLSFUPOLt) and discretionary accruals (DTACCt). Condition with a high degree of leverage is certainly faced with a high risk of default that threatened the company which is unable to meet its obligations. Earnings management measures can not be used as a mechanism to avoid the default. Fulfillment of the obligation must still be done and can not be avoided with earnings management.

Result and Analysis of Hypothesis 2

Table 2

Regression Test Results Hypothesis 2

Variabel	Hypothesis 2 - Model 2		
	F sig = 0.000		
	β	T	Sig.
(Constant)	0.074	20.288	0.000*
DVDEBT t	-0.018	-1.446	0.149
DVOCFDEBT t	-0.398	-2.472	0.014*
DVOPMDEBT t	-0.041	-4.956	0.000*
DVTLSFUDEBT t	-0.001	-0.189	0.850

* t test significant at 0.1

From the test results of t-test, there is no influence between companies that are in a state near to debt covenant violation (DVDEBTt) to discretionary accruals (DTACCt). These showed opposite result with the debt covenant hypothesis stated by Watts and Zimmerman (1990) that the higher the ratio of debt to equity, the company manager will tend to choose a method of increasing income. The higher debt-to-equity ratio, the company is closer to the barriers that exist in the debt agreement. Management companies choose a method for avoiding obstacles in debt agreement and reduce costs that may arise from technical default.

In a previous study, the effect of the company's condition which is near to debt covenants violation on earnings management behavior is by doing income increasing (Watts and Zimmerman, 1986, 1990; DeAngelo et al., 1994; Sweeney, 1994). DeFond and Jiambalvo (1994) found that managers of companies using abnormal accruals to avoid obstacles of debt- covenants.

Companies that are in a state near to debt covenant violation does not become one of the motives for companies to manage earnings. This is supported by research of Smith (1993) in DeAngelo, et al. (2002) on the "dynamic flexible monitoring" view, which lenders set covenants tight enough to ensure an ongoing ability to quickly lower their risk exposure should a troubled borrower's financial performance deteriorate.

In Smith's view, each technical default or the anticipation forces the borrower to disclose the latest performance deterioration to the lender, giving the lender an opportunity to renegotiate contractual terms or to terminate the agreement. Thus, dynamic (iterative) monitoring enables lenders to maintain ongoing disciplinary oversight of financially troubled borrowers and allows the firms themselves to continue operating, albeit with credit facilities whose terms are tightened regularly as company circumstances worsen. [See Dichev and

Skinner (2001) for large sample evidence that private lenders often set tight debt covenants to facilitate ongoing monitoring of borowers.

The test results of t-test on DVOCFDEBTt variables showed a negative relationship between cash flow from operations on a company that is in a state near to debt covenant violation (DVOCFDEBTt) and discretionary accruals (DTACCt). This means that companies in conditions near to debt cocvenant violation has a low tendency to perform earnings management to meet their debt obligations and avoid a financial distressed situation.

The test results of t-test on DVOPMDEBTt variables showed a negative relationship between the level of profitability (OPM) in companies that are in a state of debt covenant violation (DVOPMDEBTt) and discretionary accruals (DTACCt). Results of DVOPMDEBTt with DTACCt accordance with the general view that the company which is in a state approaching debt covenant violation, is likely to have low operating profit and total sales. This has an impact when the lower DVOPMDEBTt in the company which is near to debt covenant violation condition, then the management will tend to think to pull through income increasing. However, the company which is listing on public market will be supervised by the regulators and lenders, became one of the reasons that support there is no relationship between companies in conditions near to debt covenant violation with earnings management behavior of the company.

The test results of t-test on DVTLSFUPOLt variable showed no relationship between the level of the debt ratio (leverage) in companies that are in a state near to debt covenant violation (DVTLSFUPOLt) and discretionary accruals (DTACCt). Jao and Pagalung (2010) states that leverage had no significant relationship to earnings management. Companies with a high level of leverage would face a high risk of default that threatened the company which is unable to meet its obligations. Earnings management can not be used as a mechanism to avoid the default. Fulfillment of the obligation must still be done and can not be avoided with earnings management.

Result and Analysis of Hypothesis 3a

Table 3

Regression Test Results Hypothesis 3a

Variabel	Hypothesis 3a - Model 3a F sig = 0.000		
	β	T	Sig.
(Constant)	0.070	22.126	0.000*
DVIEQ t	0.033	1.303	0.194
DVOCFIEQ t	- 0.406	-4.578	0.000*
DVOPMIEQ t	- 0.037	-4.312	0.000*
DVTLSFUIEQ t	0.035	1.627	0,105

* t test significant at 0.1

From the test results of t-test, there is no influence of the company issuing equity (DVIEQt) to discretionary accruals (DTACCt). The results showed issuing equity has no effect on earnings management behavior conducted by the company due to the action of monitoring of institutional investors. Heron and Lie (2004) in the Father and Poveda (2005) states that related to the issuance of rights issue there is no evidence of earnings management done before bidding rights issue in the stock market. Duggal and Mllar (1999) states that large institutional ownership in a public company provides a strong economic incentive to monitor managers in making decisions related to the company. Chung et al. (2002) in Cornett et al. (2007) stated that the large holdings of institutional investors in the company limit management to do opportunistic earnings management through discretionary accruals policy.

The test results of t-test on DVOCFIEQt variable showed a negative relationship between cash flow from operations in the company that is issuing equity and discretionary accruals (DTACCt), means that the higher operating cash flow of a company, then the tendency to perform earnings management will be smaller. For companies that want to publish the equity, surely they believe that the company was in a good financial condition, including in terms of its operational cash flow so as to attract the attention of investors. When the higher operating cash flow, the company will no longer think of using discretionary accruals to manage earnings (Chen et al., 2007; Dechow et al., 1995; DeFond and Jiambalvo, 1994; Peasnell, Pope and Young, 2000; Yang et al., 2008).

The test results of t-test on DVOPMIEQt variable showed a negative relationship between the level of profitability (OPM) to companies that are issuing equity and discretionary accruals (DTACCt). Results of DVOPMIEQt with DTACCt accordance with the general view that companies which are issuing equity, most likely already have an operating profit and total sales are high enough. In the conditions of the company experienced increased sales and profit margins of the company will make a financial statement that looks ther is increasing operational performance in the eyes of stakeholders. Therefore, given that many stakeholders who assess the profitability of the company is only based on the ratio related to profit margin from income statement. This has implications when the higher DVOPMIEQt in companies that are issuing equity, then the tendency of companies to manage earnings will be smaller.

The test results of t-test on DVTLSFUIEQt variable showed no relationship between the level of the debt ratio (leverage) on companies that want to publish a component of equity and discretionary accruals (DTACCt). These result is in line with research of Iatridis and Kadorinis (2009) which has a p-value > 5% for DVTLSFUIEQt variables in the analysis of ordinary least squares (OLS) regression of accruals on the company's financial measurements (OCF, OPM, TLSFU). Ardison et al. (2012) also stated there was no relationship between the level of leverage with earnings management

Result and Analysis of Hypothesis 3b

Table 4

Regression Test Results Hypothesis 3b

Variabel	Hypothesis 3b - Model 3b		
	F sig = 0.000		
	β	T	Sig.
(Constant)	0.069	23.376	0.000*
DVIDEB t	0.035	1.302	0.194
DVOCFIDEB t	-0.695	-5.597	0.000*
DVOPMIDEB t	0.374	1.479	0.140

* t test significant at 0.1

From the test results of t-test, there is no influence between companies which issue bond (DVIDEBt) to discretionary accruals (DTACCt). Companies which issue bond does not become one of the motives for companies to manage earnings. This is supported by research of Jensen and Meckling (1976) related to the role of monitoring and bonding costs. At the beginning of an agreement between the company and bondholders, then bondholders have already mentioned a number of guarantees (provision) to restrict the behavior of corporate management in making decisions in the future related to issuance of bonds and working capital management. With the aim to protect bondholders from unwanted effects, the provision is made very detailed and covers almost all aspects of the company.

The test results of t-test on DVOCFIDEBt variable showed a negative relationship between operating cash flow in the company that issued bond (DVOCFIDEBt) and discretionary accruals (DTACCt). This means that when the value of operating cash flow of the company is getting high, then companies tend not to perform earnings management because of the condition of the company's cash flow has shown good performance so no need for earnings management. Whereas, if the company had low operating cash flow or below the management’s expectation, the firm will tend to perform earnings management at the time of going to issue bonds. When look at the significance DVIDEBt against DTACCt, it appears that the bond issuance has no effect on earnings management. However, when this has been moderated by operating cash flow, then the intensity of the OCF affect the company's decision to perform earnings management.

The test results of t-test on DVOPMDEBTt variable showed no relationship between the DVOPMIDEBt with DTACCt on the company that issued bond. This means that the level of profitability of the company is not one of the criteria in the decision to perform earnings management on the company wihich want to issue bonds. The company's goal by issuing bonds are raising capital of the company. The prospective bondholder while trying to decide to invest in a company generally will overview the cash flows and other components of assets. Whereas, for the income statment account may not be a top priority for the prospective bondholder so that the level of profitability as measured by the ratio of operating profit to total sales do not affect the company's decision to undertake earnings management or not when they want to issue bonds.

Result and Analysis of Hypothesis 4

Table 5

Regression Test Results Hypothesis 4

Variabel	Hypothesis 4 - Model 4		
	F sig = 0.000		
	β	T	Sig.
(Constant)	0.064	16.569	0.000*
DVEX t	0.014	1.889	0.060*
DVOCFEX t	-0.192	-5.000	0.000*
DVOPMEX t	0.125	2.483	0.014*
DVTLSFUEX t	0.001	0.746	0.456

* t test significant at 0.1

From the test results of t-test, there is a significant positive effect between the amount of remuneration which is given by the company to the executives (DVEXt) on tendency management to manage earnings as measured by discretionary accruals (DTACCt). These results are in line with the bonus plan hypothesis stated by Watts and Zimmerman (1990) that company management who implement a bonus plan will tend to choose accounting policies that bring the future earnings to this period. The bonus plan hypothesis is based on the premise that corporate managers as the same as others in general who like to get high remuneration. If the amount of remunerations which is given to executives are baesed on net income, then management will tend to increase the profit so they can get more bonus.

Shuto (2007) states that the use of discretionary accruals to be one way to increase the amount of compensation received by the executives. A number of previous studies, shown that the managers at companies in the US perform earnings management to maximise the bonuses they received (Balsam, 1998; Guidry, Leone, and Rock, 1999; Healy, 1985; Holtahusen, Larcker, and Sloan, 1995). Laux and Laux (2006) also stated that the use of remuneration-based performance pattern motivate CEOs to manipulate earnings.

The test results of t-test on DVOCFEXt variable showed a negative relationship between operating cash flow in companies that provide compensation for the executive (DVOCFEXt) and discretionary accruals (DTACCt). This means that when the value of operating cash flow of the company is getting lower and has a value below the expectations of key management (executive), then the executive will tend to perform earnings management with the aim to increase the profits that may have an impact on increasing the bonus they get. It is because the remuneration committee considers reported earnings has shown good performance. Dechow (1994) in Shuto (2007) also stated that the change in operating cash flow was negatively associated with total accruals.

The test results of t-test on DVOPMEXt variable showed a positive relationship between the level of profitability in companies that provide compensation for the executive (DVOPMEXt) and discretionary accruals (DTACCt). This suggests a positive relationship between earnings management and the level of profitability for companies with high management emoluments, which means that management will perform income increasing when level of profitability is getting higher.

The test results of t-test on DVTLSFUEXt variable showed no relationship between the level of leverage on companies that provide compensation for the executive (DVTLSFUEXt) and discretionary accruals (DTACCt). This means that the ratio of debt to the companies that provide high compensation does not affect earnings management practices within the company.

Result and Analysis of Hypothesis 5

Tabel 6

Regression Test Results Hypothesis 5

Variabel	Hypothesis 5 - Model 5 F sig = 0.000		
	β	t	Sig.
(Constant)	0.070	14.595	0.000*
DVFOR t	0.023	3.282	0.001*
DVOCFFOR t	- 0.231	-7.399	0.000*
DVOPMFOR t	0.025	3.277	0.001*
DVTLSFUFOR t	0.000	-0.294	0.769

* t test significant at 0.1

From the test results of t-test, there is a significant positive effect between the amount of earnings to be achieved based on the analyst's forecasts (DVFORt) and the tendency of management to manage earnings as measured by discretionary accruals (DTACCt). Dechow and Skinner (200) in Comprix, Mills, and Schmidt (2006) states that the company management has a strong incentive to go beyond the existing benchmark that companies management often perform earnings management practices in order to achieve these benchmarks. Investors can use the three thresholds to compare one company with another company (benchmark), ie, the amount of earnings that met or exceeded analyst's forecasts, avoid losses, and avoid a decrease in earnings. Graham, Harvey and Rajgopal (2005) in Lee (2007) states that one of the factors considered by the company is reported earnings and disclosure of EPS which the value is predicted by analysts so that the value of EPS is an important part for the benchmark between companies.

The test results of t-test on DVOCFFORt variable showed a negative relationship between cash flow from operations in the company trying to reach or exceed the value of earnings per share that has been predicted by financial analysts (DVOCFFORt) and discretionary accruals (DTACCt). This means that when the value of operating cash flow of the company is getting lower and has a value below the expectations of management, the management company will tend to perform earnings management with the aim to increase reported earnings that may have an impact on increasing earnings per share (EPS) produced . Dechow (1994) in Shuto (2007) also stated that the change in operating cash flow was negatively associated with total accruals.

The test results of t-test on DVOPMFORt variable showed a positive relationship between the level of profitability in the company trying to reach or exceed the value of earnings per share that has been predicted by financial analysts (DVOPMFORt) and discretionary accruals (DTACCt). These results show that the company can reach or exceed earnings per share that has been predicted by financial analysts, management will perform income increasing when the level of profitability is getting higher. Companies that are able to go beyond the EPS according to predictions of financial analysts still do income increasing with the aim of the value of EPS produced can be much higher when compared with other similar companies

The test results of t-test on DVTLSFUFORt variable showed no relationship between the level of leverage on a company trying to reach or exceed the value of earnings per share that has been predicted by financial analysts (DVTLSFUFORt) and discretionary accruals (DTACCt). This means that the level of the company's debt ratio is not a determinant of the earnings per share (EPS) which can be achieved by the company in accordance with the predictions of financial analysts. The amount of earnings per share (EPS), which became a benchmark to see if the company can reach or exceed analyst's forecasts depend on income and cash flows produced by the company, is not measured by how many levels the ratio of debt held by the company.

Result and Analysis of Hypothesis 6

Tabel 7

Binary Logistic Regression Test Results Hypothesis 6

	B	S.E.	Wald	df	Sig.	Exp(B)
Profitability	-0.129	0.222	0.338	1	0.561	0.879
Growth	-0.005	0.064	0.007	1	0.935	0.995
Leverage	0.440	0.617	0.509	1	0.476	1.553
Liquidity	0.028	0.022	1.660	1	0.198	1.029
Size	0.102	0.172	0.352	1	0.553	1.108
Investment	-0.064	0.050	1.631	1	0.202	0.938
Constant	-1.374	2.059	0.445	1	0.505	0.253

* t test significant at 0.05

Based on the results of the t test on hypothesis 1 to hypothesis 5, note that the profitability which is proxied by OPM and operating cash flow (OCF) has a different effect for each condition on the behavior of earnings management in the company. The higher operating cash (OCF) when an event occurs, which are the condition of the political cost hypothesis, debt covenant hypothesis, the condition of a company that is issuing equity, the condition of a company that is issuing bonds, the conditions that apply bonuses based earnings, and the condition of the company to achieve the analyst's forecasts, then the lower the earnings management.

When the event shows a positive effect on earnings management, ie, when the condition of the political cost hypothesis, the bonus plan hypothesis, and the conditions for companies who want to reach the analyst's forecast, so the higher the level of profitability (OPM) when an event occurs, then the higher the earnings management performed. However, when the event shows no effect on earnings management, ie, when the condition of the debt covenant hypothesis and the companies that are issuing equity, means that the higher the level of profitability (OPM) when an event occurs, the lower the earnings management performed. This means when there is no condition in the company which influence the decision to perform earnings management, then the higher the level of compamy's profitability, the earnings management will be lower. However, for the condition of the company that issued bond, it appears that the level of profitability does not affect the level of earnings management behavior. These results are supported by Mitani (2010) which states that the level of profitability does not affect the level of earnings management. Rahman and Ali (2006) also stated that there was no significant relationship between the level of profitability and earnings management.

Meanwhile, leverage proxied by total liabilities to shareholders' funds (TLSFU) at each condition in the form of political cost hypothesis, debt covenant hypothesis, the condition of a company that is issuing equity, the bonus plan hypothesis, and the conditions for companies who want to reach the analyst's forecasts show that the level of leverage is not being consideration for the company management to manage earnings. These results are also consistent with the effect of leverage on the level of earnings management, which also showed no significant results for the effect of leverage on the DA variable. Thus, the level of leverage in a company, either proxied by total liabilities to shareholders' funds (TLSFU) or by total liabilities to total assets, continued to show the same results. These results are consistent with Jao and Pagalung (2010) who found the leverage does not have any impact on earnings management.

Growth which uses market to book ratio as a proxy showed no significant results, that means the company's growth rate has no effect in determining high or low levels of earnings management performed by the management company. Pangesti (2009) stated that the company's growth has no effect on earnings management practices. This is because the company wants to maintain credibility in the eyes of stakeholders and to maintain public trust, governments, investors and creditors, thus avoiding fraudulent practices carried out through earnings management that can damage the image of the company.

The level of liquidity on the company that uses a ratio of current assets to current liabilities as a proxy showed non significant results. It means level of liquidity of the company has no effect in determining high or low levels of earnings management conducted by the management company. DeAngelo, et al. (2002) stated that the level of liquidity of the company does not really describe the company's ability to repay short-term liabilities (current liablities) so that the management company does not make the level of liquidity as one of the determining factors in performing earnings management.

The level of firm size that uses proxy logarithm of the market value shows no significant results. It means levels of company size has no effect in determining high or low levels of earnings management performed by company management. Llukani (2013) states that both small-sized and large-sized companies in developing countries perform earnings management practices in order to avoid reporting negative earnings or decrease in reported earnings.

The level of investment that use assets in place as a proxy showed no significant results. It means levels of investment companies have no effect in determining high or low levels of earnings management performed by company management. Smith and Watts (1991) in Skinner (1993) stated that the actions of managers at companies with higher level of assets in place will have lower costs for monitoring rather than companies with high levels of growth opportunities. Thus, if the cost of monitoring is lower then the oversight of the company's performance will be higher so that the tendency of the company management to manage the earnings will be lower and even almost non-existent.

Research Contribution

The results of this study indicate that firms with high levels of political cost measured using the size of the company, will tend to perform earnings management. With the possibility of performing earnings management, the reliability of the financial information presented by the company is in doubt. Large-sized companies are not a guarantee that the company free of earnings management practices. This needs to be a concern for investors when considering a number of factors before investing. The size of the company should not be taken into one of consideration before making investment. In terms of governance, the government should implement the rules and policies related to the relevant costs for companies. For auditors and the “Otoritas Jasa Keuangan” (OJK) should consider the size of a company when performing reasonableness of financial information presented in order to provide information that is reliable and relevant to users of the information.

Management of companies that use bonus based earnings will tend to perform earnings management. This is due to the higher income generated will impact on the amount of bonus which may be accepted by the management. Scale modern enterprise nowadays very depends on professional managers to run the day-to-day operations. Investors with spread ownership will not be able to control the daily operations of the company. Separation between ownership and control has long been at the root of the problem of corporate governance (Berle and Means, 1932; Smith, 1776 in Bergstresser and Philippon, 2006). This problem should be the focus of the auditor and prospective investors when analyzing the financial information presented by the company.

Furthermore, companies tend to perform earnings management with the aim to achieve or exceed the estimates of financial analysts. This condition is an important consideration for investors and other stakeholders in the benchmark for the performance of a company compared to other companies. The tendency of the company in managing earnings to exceed the higher analyts's forecasts along with tighter competition in the corporate world. Achievement of increased earnings from previous periods or simply maintain earnings to remain stable so that the reputation of large companies still looks good in each period is also the basis for the company performing earnings management. Therefore, investors should not just look at the end of the earnings only as consideration for investment, but also consider other factors that could be consideration of the company performing earnings management.

These results imply that managers have flexibility in selecting accounting policies, are vulnerable to the presence of judgment, subjectivity, and earnings manipulation. The question that arises then is how far the manager should have flexibility in determining the accounting policies. Bessides, it also has to be considered about how far regulations and standards which are need to be improved to prevent and eliminate the phenomenon of earnings manipulation performed by management. This question is based on a variety of existing research results show that the asymmetry of information can cause opportunistic earnings management, and so we need to think some ways to supervise the performance and decisions of corporate managers. The improvement in regulatory and accounting standards would likely reduce agency costs and monitoring costs and will improve communication between managers and shareholders. In addition, it is also necessary to increase the examination of audit and supervisory structure that can assist investors in making the right financial predictions of the company financial performance in the future and to ensure that the financial statements presented by the company has a credible and relevant information to users of financial statements.

CONCLUSIONS AND LIMITATIONS OF RESEARCH

The results of this study indicate when current level of political cost that the company has is getting high, then the tendency of companies to perform earnings management will also be higher. When companies are in a state near to debt covenant violation, it is not a motive for companies to manage earnings. This is due to the fulfillment of the obligation must still be done by the company and can not be avoided with earnings management. Similarly, when the company issuing equities and bonds also not be a motive for companies to manage earnings. In terms of bonus received, the company management is making a bonus or compensation as one of the motives for performing earnings management. The company also makes the achievement of the financial analyst's forecasts as one of the motives for performing earnings management, in order to maintain the benchmark that is better than any other company.

Operating cash flow (OCFt) which is smaller, will be the cause of the company to manage earnings in condition with a high degree of political costs, business conditions near to debt covenant violation, a company that is issuing equity, issuing bonds, the condition companies that use bonus based earnings, and the condition of the company is to reach analyst's forecast.

Level of profitability (OPMt) which is higher, will be the cause of the company to manage earnings in condition with a high degree of political cost, the conditions that apply bonuses based earnings, and the condition of the company is to reach analyst's forecasts. The level of leverage (TLSFUt) owned by the company not to be one of consideration for the company management to manage earnings. This occurs in all conditions examined in this study. Similarly, the level of $Growth_t$, $Liquidity_t$, $Size_t$, and $Investment_t$ which refers to the rate of growth, liquidity, size of company, and the level of investment of the assets of the company not to be decisive for the company management to manage earnings. Limitations and suggestions for future research, which can be given based on the research that has been done is as follows.

1. The object of the research is limited to industrial manufacturing sector as the population in the selection of the sample so that the results may be different in other industrial sectors.
2. This study uses only a span of three years period so that the results of this study can not indicate a trend related to the effect of each condition of the company on earnings management.
3. Measurement of discretionary accruals as a proxy for earnings management in this study only refers to the cross-sectional Jones model (1991), as is widely used in research related to earnings management.
4. This study did not use a variable operating cash flow (OCF) as a stand-alone independent variables in each model study, but only as a moderating variable that is multiplied by the main independent variables of each model of research.
5. This study uses an absolute model of earnings management, which discretionary accruals value becomes absolute as a proxy for earnings management so that the results of this study can only see that each of the conditions that existed at the company have effect or not on the tendency of companies to manage earnings.

This research is expected to be input for next research similar to this study. To get a better results, suggested as follows :

1. Add a business entity object that is used as population and sample, not only in the manufacturing sector, but also for each sector so as to provide more information that can be generalized.

2. Expanding the range of time periods so that research studies have data with a sufficient period to see the trend of the effect of any condition related to earnings management.

3. Using a measurement of discretionary accrual models other than cross-sectional Jones model (1991), such as Dechow, Sloan, and Sweeney (1995), Kasznik (1999), or Dechow, Richardson, and Tuna (2002)

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DEPARTMENT OF ACCOUNTANCY,
FACULTY OF ECONOMICS AND BUSINESS
UNIVERSITAS AIRLANGGA

AAIC 2015
Airlangga Accounting International Conference 2015

PROCEEDING

AIRLANGGA ACCOUNTING INTERNATIONAL CONFERENCE (AAIC) 2015

"Megatrends and Research Opportunities in Accounting"

Department of Accountancy,
Faculty of Economics and Business
Universitas Airlangga
Jln. Airlangga No. 4 Surabaya, Indonesia
Phone number: +6231 5033642, ext. 120,
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Website: www.aaic2015.com

Supported by:

The Indonesian Institute of Accountants East Java Region

Member of IFAC International Federation of Accountants

CMA The Institute of Certified Management Accountants

Journal of Applied Management Accounting Research

CONTENTS

WELCOMING MESSAGE

Dear all participants,

On behalf of the Faculty of Economics and Business Universitas Airlangga, We would like to welcome all of you in Surabaya Indonesia and enjoy the second largest city, the bigest and the longest bridge in Indonesia. We hope that you have a comfortable journey to arrive at this conference and will have ample time to enjoy your stay here. AAIC is one of the activities organized by the Department of Accounting, Economics and Business Faculty, Universitas Airlangga. We hope that this AAIC can become activities and facilities for the discussion of matters related to accounting.

We are delighted and honoured to be given the opportunity to hold this international conference. Your participation is important to the success of this event. We look forward to sharing and learning of experience together. We believe that it will serve as facilities to exchange ideas and experiences among participants. We hope this will promote further study and action that leads to a better understanding of the issues that need for our development, especially in the field of accounting.
We hope you will enjoy the event. Have a nice conference.

Sincerely yours,

Prof. Dr. Bambang Tjahjadi, MBA., CPM., CMA., Ak., CA.

Chairman of Airlangga Accounting International Conference 2015

Dear all participants,

On behalf of Faculty of Economics and Business, Universitas Airlangga, we would like to welcome all of you to Surabaya, Indonesia. We hope you had a comfortable journey to venue and that you will find time to enjoy your stay here. This event, Airlangga Accounting International Conference, is organizedbythe Department of Accountancy, Faculty of Economics and Business, Universitas Airlangga. It is designed to provide a discussion spot amongst those who have interest in the current issues of Accounting. We are delighted and honoured to be given an opportunity to hold this international event.

I would like to acknowledge and appreciate all of the parties involves in carrying out this big event. Thank you to all of our sponsors, all of the speakers and moderators, the local government, and last but not least all of the conference participants.

The participants' contributions are important to the event's success. We are very hopeful that this conference could serve as a stage for extensive exchange of ideas among participants. We are looking forward to have a meaningful discussion together.

Finally, we hope you will enjoy the event!

Sincerely Yours,

Prof. Dr. Muslich Anshori, M.Sc.

Dean of Economics and Business Faculty

Universitas Airlangga

BACKGROUND

AAIC is one of the activities organized by the Department of Accountancy, Faculty of Economics and Business, Universitas Airlangga. We hope that this AAIC can become activities and facilities for the discussion of matters related to accounting. The first conference, held in 2012 at Bali International Convention Center (BICC) Westin Nusa Dua Hotel, was very successful. It was attended by 300 participants from Asian, Australian, African, European, and American countries.

The conference will be held on June 3 - 4, 2015 at Hotel Bumi Surabaya. Surabaya is chosen as AAIC 2015 host city because of its internationally-recognized-achievements over the past few years. The second largest city in Indonesia has received: Socrates Award for future city category, United Nations' "The 2013 Asian Townscape Sector Award", Future Gov Award 2013, and other prestigious awards. Its parks and greeneries enhance the cities landscape of both classical and modern architecture.

The main theme of AAIC 2015 is "Megatrends and Research Opportunities in Accounting". During the last 15 years, there is a significant development in accounting. It has taken a central role in economics and business. As a science, it is always adapting with the changes in its socio-economic environment, and vice versa. This theme discusses sustainability evolution of its science and identifies Megatrends in its environment. These Megatrends are related to:

1. Regulation, Standard Setting and Capital Market
2. Financial Accounting
3. Auditing and Taxation
4. Governance and Sustainability
5. Management Accounting
6. Social and Environmental Accounting
7. Accounting Education
8. Public Sector Accounting and Accountability
9. Other Emerging Accounting Issues

Research opportunities in relationship with Megatrends will encourage further improvement in Accounting Best Practices. This conference will also discuss its implication toward multidisciplinary research, accountant education and training in the future. AAIC is a special program Department of Accountancy, Faculty of Economics and Business Universitas Airlangga. We would like to invite accounting researchers around the world to participate in AAIC 2015 and to enjoy art performances as well as the beauty of Mount Bromo.

Important Dates

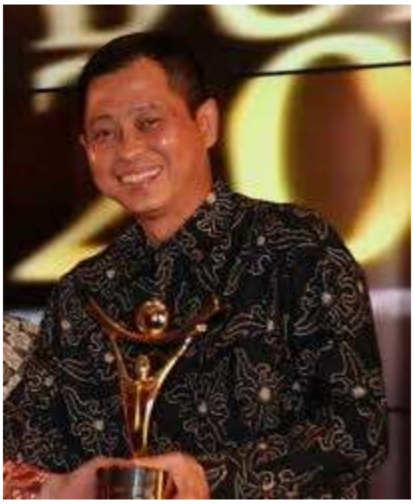
Deadline for full-paper submission	May 16, 2015
Notification to Authors	**May 20, 2015**
End of early-bird registration offer	May 24, 2015
Reception and final registration	**June 3, 2015**
Conference opening ceremony, panel session and forum	June 3, 2015
Paper presentation and closing ceremony	June 4, 2015
Bromo Tour (Optional)	June 4-5, 2015

SPEAKER PROFILES

KEYNOTE SPEAKER:

Ignasius Jonan, MBA., AK., CPA., CA.

Minister of Transportation, Republic of Indonesia



Mr. Ignasius Jonan, MBA., Ak., CPA.,CA is the Minister of Transportation, previously he was Chief Executive Officer at PT. Kereta Api Indonesia (PT.KAI), the state-owned train operator. Under his leadership, KAI has been able to multiply their profit while earning the status of a 'healthy' state-owned enterprise with an 'A' grade. As a CEO of PT.KAI, he also has received several awards such as: Bisnis Indonesia's Best CEO of 2014; RCTI TV's Phenomenal Figure in 2014; Best CEO of State Owned Enterprise in 2013; Ikatan Akuntan Indonesia's Accountant of the Year in 2013; Marine Corps's Honorary Member of Cavalry Regiment in 2013; Rakyat Merdeka Post's The Golden Action Award in 2013; SWA magazine's CEO of choice in 2012 and 2013; Gatra Magazine's the Most Innovative CEOs in 2013; Universitas Airlangga Most Outstanding Alumnus in 2012; and Indonesian Marketer Association's Marketer of the Year in Transportation Sector in 2012 and 2013.

Prof. Mardiasmo, MBA., Ph.D., Akt., CA.

Vice Minister of Finance Republic of Indonesia

Focusing on Accounting Science field, he has been serving as the Chairman of the Indonesian Institute of Accountants since 2010. He is also a Professor of Faculty of Economics and Business Gadjah Mada University who actively wrote some books including Taxation (2006), Series of Regional Autonomy: Autonomy and Regional Financial Management (2003), Public Sector Accounting (2003), and Basic Financial Accounting (2000). Before being sworn as Vice Minister of Finance on 27 October 2014, he served as Expert Staff of Minister of Finance in State Expenditure (2004-2006), Director General of Fiscal Balance of Ministry of Finance (2006-2010), Vice Chairman of BPK Bill Discussant Team (2006), Chairman of Quality Assurance Team for National Bureaucracy Reform (2011-up to present), Vice Chairman of Evaluation and Supervisory Team for Budget Absorbtion (2001-up to present), Head of State Finance and Development Supervisory Board of Republic of Indonesia (2010-2014). From December 1, 2014 to February 6, 2015, he was appointed as the Acting (Plt.) Director General of Tax of Ministry of Finance.

Prof. Charl De Villiers

Waikato Management School, The University of Waikato, New Zealand

Charl teaches Management Accounting and Sustainability Accounting at the University of Waikato. He is also Professor of Accounting at the University of Pretoria, Adjunct Professor at Cape Peninsula University of Technology, Extraordinary Professor at the University of the Western Cape, and a research fellow at the Centre for Sustainability Management at Leuphana University Luneburg, Germany.

Charl's main research focus is on sustainability reporting, but he also explores integrated reporting, corporate governance, the accounting profession, accounting control systems, and audit fee movements. His research output includes more than 200 publications and presentations, 50 being refereed journal articles. His articles have been published in *Accounting, Organizations and Society*; *Journal of Management*; *Accounting, Auditing & Accountability Journal; Journal of Accounting and Public Policy;* the *British Accounting Review;* and *Journal of Cleaner Production;* among other journals.

Charl won a best paper award at AFAANZ 2011 (best in CSR) and at SAAA 2011 (best in Financial Accounting and best overall). He is editor of*Meditari Accountancy Research* (C rated by the ABDC) and serves on several editorial boards, e.g. *Accounting, Auditing & Accountability Journal; Accounting and Business Research; Issues in Accounting Education* (all A rated - ABDC); and *Sustainability Accounting, Management and Policy Journal* (B - ABDC). Charl is co-editor of a special issue of *Accounting, Auditing & Accountability Journal* on Integrated Reporting, as well as co-editor of a special issue of *Pacific Accounting Review* on Sustainability Accounting, both published during 2014. Charl is a Chartered Accountant.

After school, Charl studied towards a BCom and BCom(Honours), before qualifying as a Chartered Accountant through an auditing clerkship. He did an MBA on a part-time basis and became CFO of a medium-sized firm, before pursuing an academic career.

CONFERENCE CHAIR:

Prof. Lorne Cummings, FCPA, CA.

Macquiare University, Australia

Lorne is a Professor of Accounting and is currently serving as Associate Dean of Higher Degree Research for the Faculty of Business and Economics. Lorne has previously been Acting Head of Department (Accounting and Finance), Deputy Chair of the University Human Ethics Committee and co-ordinator of the Departments post-graduate accounting programs. Lorne received his PhD from the Macquarie Graduate School of Management (MGSM) on "Managerial attitudes toward stakeholder prominence and environmental management within a South-East Asian context".

Lorne teaches in International and Financial Accounting and has researched across a wide spectrum of the financial accounting field, including Sustainability Accounting and Reporting, International Financial Reporting Standards, Not-for-Profit accounting, and Accounting History. He has published in leading International and Australian academic and professional journals including Advances in Accounting, European Accounting Review, Financial Accountability and Management, Accounting, Auditing and Accountability Journal, The International Journal of Auditing, Accounting History, the Asian Review of Accounting and the Journal of Business Ethics. He is involved in the development and delivery of professional development programs for CPA Australia.

Drs. Ali Darwin, Ak., CA., M.Sc., CSRS.

Executive Board and Executive Director of the National Center for Sustainability Reporting (NCSR) and Advisory Boar Member Institute of Management Accountants Indonesia (IAMI)

Ali Darwin is currently the Chairman Board of Director and Executive Director of National Center for Sustainability Reporting (NCSR) Indonesia. He has carried out a number of nation-wide campaigns to promote sustainability reporting and good governance practices since 2005. Ali is a member of the Global Reporting Initiative (GRI) Stakeholder Council since 2010.

On corporate level, Ali has 8 years of experience as member of various Board of Directorthe Board of Directors, and 10 years as Independent Commissioner. He holds a Master's degree (MSc.) in General Management from the London Business School, UK (1995), and is also an alumnus of the Program for Management Development (PMD) at the Harvard Business School, Boston, USA (1992).

Ade Palupi, SE, MPPM, Ph.D., Ak., CA., AAP.

Universitas Airlangga, Indonesia

Ade Palupi, SE, MPPM, Ph.D., Ak., CA. AAP., Lecturer at the Departement of Accountancy, Faculty of Economics and Business, Universitas Airlangga. Her area research interests are Public Sector Accounting and Accounting History. She holds Master of Public Policy Management (MPPM) from Monash University, Australia, and Ph.D. in Accounting from Macquarie University, Australia. She also holds AAP (Ahli Akuntansi Pemerintahan) from Ikatan Akuntan Indonesia (IAI).

Drs. Ahyanizzaman, Ak. CA.

Finance Director of Semen Indonesia Tbk.

Mr. Ahyanizzaman has taken the position of Finance Director of Semen Indonesia Ltd since March 11, 2011. Previously he was Semen Gresik's Chief of Accounting Division (2004-2006), Chief of Finance Division (2006-2010), and Chief of Finance and Accounting Division (2010-2011). He has joined the company since 1991, the same year when he was graduated from Accounting Undergraduate program in Universitas Airlangga, Surabaya.

Prof. Dr. Bambang Tjahjadi, SE., MBA., Ak., CMA., CPM., CA

Universitas Airlangga, Indonesia

Prof. Dr. Bambang Tjahjadi, SE., MBA., Ak., CMA., CPM., CA, Professor at the Departement of Accountancy, Faculty of Economics and Business, Universitas Airlangga. He was the head Research Development and Management Economic of Universitas Airlangga. His area research interests include management accounting and strategic management system, implementation of the Balanced Scorecard, and Management performance measurement system for improve good corporate governance and peformance of the company. He has served as a consultant in several public institutions and administration, including the World Bank.

CONFERENCE AGENDA

Wednesday, June 3, 2015

Time	Schedule
07.30 - 08.30	Registration
08.30 - 08.45	Opening Dance: East Java Remo & Singing Indonesian National Anthem
08.45 - 09.00	Opening Speech and Greeting
	Prof. Dr. H. Fasich, Apt. (Rector of Universitas Airlangga) The beating of the gong; Traditional Dance Performance
09.00 - 09.30	Keynote Speech 1: "Accounting Paradigm in Leadership"
	Ignasius Jonan, MBA., Ak., CPA., CA. (Minister of Transportation Republic of Indonesia)
09.30 - 09.45	Coffee Break Airlangga Choir Performance
09.45 - 10.15	Keynote Speech 2: "Government Policies in Developing Professional Accountant Regarding Sustainability Reporting in Indonesia"
	Langgeng Subur, MBA., Ak., CA (The Chief of Indonesian Financial Profession Development) on behalf of Prof. Mardiasmo, MBA., Ph.D., Akt., CA. (The Indonesian Vice Minister of Finance, IAI Chairman)
10.15 - 11.00	Keynote Speech 3: "Emerging Issues in Accounting, Governance and Sustainability"
	Prof. Charl de Villiers (Auckland University of Technology, New Zealand)
11.00 - 12.30	Panel Session 1, Topic: "Emerging Megatrends and Research Opportunities in Accounting", Speakers:
	1. Prof. Lorne Cummings, FCPA, CA (Macquarie University, Australia):
	"International and Financial Accounting: Sustainability Accounting and Reporting, International Financial Reporting Standards (IFRS)"
	2. Drs. Ali Darwin, M.Sc., Ak., CA., CSRS. (Executive Board and Executive Director of the National Center for Sustainability Reporting (NCSR)): "Implementation of Sustainability Accounting in Indonesia" 3. Ade Palupi, SE, MPPM, Ph.D., Ak., CA. (Universitas Airlangga): “Public Sector Accounting”
12.30 - 13.30	Break, Sholat, Lunch Airlangga Choir Performance
13.30 - 15.00	Panel Session 2, Topic: "Emerging Megatrends and Research Opportunities in Accounting", Speakers:
	1. Drs. Ahyanizzaman, Ak., CA. (Finance Director of PT Semen Indonesia Tbk.):
	"Megatrends in Global Business: Manufacturing Industry"
	2. Prof. Dr. Bambang Tjahjadi, MBA., CPM., CMA., Ak., CA. (Universitas Airlangga, Indonesia): "Megatrends in Performance Management Systems"
15.00 - 18.30	Surabaya City Tour
18.30 - 21.30	Gala Dinner in Grahadi Building is designated as the official residence of the Governor of East Java Welcoming Speech by Dr. H. Soekarwo, S.H, M.Hum (the Governor of East Java)

Thursday, June 4, 2015

Time	Schedule
08.30 - 10.00	Parallel Session
10.00 - 10.30	Coffee Break
10.30 - 12.30	Parallel Session
12.30 - 13.30	Break, Sholat, Lunch
13.30 - 16.00	Parallel Session
16.00 - 16.15	Coffee Break
16.15 - 17.00	Airlangga Choir Performance; Best Paper Award and Closing Speech; Airlangga Choir Performance
19.00	Start Bromo Tour (Optional)

Friday, June 5, 2015

Time	Schedule
Until Friday, 15.30	Bromo Tour (Optional)

RUNDOWN PRESENTER

First Session		Time		
		08:30 am-10:00 am		
Room	**Paper Code**	**Title of Paper**	**Authors**	**University/Institution**
1.1	GS001	Corporate Governance Convergence	Vogy Gautama Buanaputra Dr. Sumiyana., M.Si., Akt., CA	Universitas Gadjah Mada
	GS002	Value-Added Enterprise, Corporate Governance on Sustainable Enterprise with Investment Opportunities Set as Intervening Variable	Ali Sandy Mulya & Sekar Mayangsari	Budi Luhur University & Trisakti University
	GS003	The Quality of Sustainability Reporting Assurance Statement of Fortune Global 500 Companies	Muhammad Bahrul Ulum & Faisal	Diponegoro University
1.2	PSAA001	Critical Analysis of Accounting Standards vis-à-vis Corporate Governance Practice in India	Vrajlal Sapovadia & Akash Patel	Shanti Business School, Ahmedabad, India & ICAI
	PSAA003	Content Analysis of Information Transparency on Websites State Universities in Indonesia	Siti Atikah, Intan Rakhmawati & Baiq Rosyida Dwi Astuti	University of Mataram
	PSAA004	The Impact of The Enactment of Government Regulation (PP) Number 46 Year 2013 to Taxation Collection System and The Compliance of Micro Small Medium Enterprises Taxpayers (Cases Study on CV. X & PT. Y)	I Gusti A. A. Gita Chandradewi & Elia Mustikasari	Universitas Airlangga
1.3	AT007	Good Corporate Governance Effect on Tax Avoidance (Empirical Study on Manufacturing Companies Listed in IDX period 2010-2013)	Winnie & Vivi Adeyani Tandean	Institut Bisnis dan Informatika Kwik Kian Gie
	FA002	The Factors Affecting Ethical Perception of Earnings Management Practice with Moral Reasoning as The Intervening Variable	Incha Naslicha Farahiani & Noorlailie Soewarno	Universitas Airlangga
	FA003	Analysis of Factors Affecting The Decision-Usefulness of Financial Statements of Ministries/Institutions	Tunjung Probo Nirmala & Falikhatun	Inspectorate of the Ministry of Trade of the Republic of Indonesia & Business and Economic Faculty, Sebelas Maret University, Surakarta, Indonesia

1.4	RSSCM001	The Efficiency of Bankruptcy Prediction Models in Tehran Stock Exchange Companies, Emerging Need in Privatization and Capital Market	Abdolreza Ghasempour & Neda Bashiri	Islamic Azad University-Bardsir Branch (Iran) & Yerevan State University (Armenia)
	OEAI006	Determinants Distribution of Financing and Implications to Profitability (Empirical Study on Cooperative Syariah BMT in Indonesia)	Oyong Lisa & Kurniawan	STIE Widya Gama Lumajang
	AT012	The influence of audit committee independence and activity on the financial reporting timeliness	Almhdi Abulgasim Abusbaiha	Doctoral Program of Economic Science - Diponegoro university
1.5	OEAI001	Photography Images Analysis of Intellectual Capital in Corporate Annual Reports: A Descriptive Note	Mara Ridhuan Che Abdul Rahman, Asmazatul Yusfiziati Mohd Yusuf & Mohamat Sabri Hasan	School of Accounting, Faculty of Economics and Management, Universiti Kebangsaan Malaysia
	OEAI007	Traditional Market Accounting: Management or Financial Accounting?	Wiyarni	STIE Malangkuçeçwara Malang
	OEAI011	Interpreting Receivable Debt in Bhubukan Tradition Critical Interpretive Study	Nanang Shonhadji & Agus Samekto	STIE PERBANAS SURABAYA
1.6	FA004	The Effect of Female Executives on *Earnings Management*: Evidence from Indonesia	Tania Kogin & Felizia Arni Rudiawarni	Universitas Surabaya
	FA005	Applying A Foreign Exchange Losses (FEL) Model to Detect Earnings Management	Yulius Jogi Christiawan & Alfa Rahmiati	PDIA Student - Faculty of Economics and Business, Universitas Airlangga
	FA010	The Relationship between Earnings Quality, Liquidity and Cost of Capital	Puput Tri Komalasari & Moh. Nasih	Universitas Airlangga

Second Session		Time		
		10:30 pm - 12:30 pm		
Room	**Paper Code**	**Title of Paper**	**Authors**	**University/Institution**
2.1	FA006	Are There Any Interactions between Real Earnings Management and Accrual-Based Earnings Management?	Vogy Gautama Buanaputra	Universitas Gadjah Mada
	OEAI003	Comparative Study Of Accounting And Islam: The Practice Of Pawnshops (Boroh) In Rokan Hilir – Province Of Riau	Andi Irfan	UIN SUSKA Riau
	OEAI004	The Practice of Determining Margin of Financing in Sharia Bank: A Case Study in Indonesia dan Brunei Darussalam	Leny Nofianti, Andi Irfan & Tasriani	UIN SUSKA Riau
	FA011	The Moderating Effect of Growth Opportunities on the Relationship between Financing Decision, Dividend Policy, Profitability and Liquidity toward Firm Value	Prayogo Teguh Ansori ; Ardianto	Universitas Airlangga
2.2	PSAA006	The Influence Factors on The Behavioral Organization Toward The Use of Accrual Accounting System (Empirical Study On the Government Sragen Regency)	Nur Endah Widyastuti & Falikhatun	Inspectorate of the Ministry of Trade of the Republic of Indonesia ; Business and Economic Faculty, Sebelas Maret University, Surakarta, Indonesia
	PSAA008	Bureaucracy System and Budget Performance Influences in the Political Economy of Accounting (PEA) Perspective	ASL Lindawati	Ma Chung University
	PSAA013	Accounting Knowledge, Education Level, Work Experience and Quality of Local Government Financial Statements: A Case Study in Ngawi and Pacitan	Beltian Hanny Priatna, Sri Suranta, Hanung Triatmoko & Halim Dedy Perdana	Universitas Sebelas Maret
	PSAA014	Influence of Understanding of Accounting, Education Level, and Length of Work to Implementation of Local Government Accounting System (Case Study in Ngawi and Pacitan)	Bagas Harris Parananda, Halim Dedy Perdana & Sulardi	Universitas Sebelas Maret

2.3	PSAA017	Model Audit Implementation of Social Respon Sibilitybased on Human-Centered Design in The Public Sector Organization Model Audit Implementation of Social Respon Sibilitybased on Human-Centered Design in The Public Sector Organization	Priyo Suprobo, Diana Suteja, Soegeng Soetedjo & Basuki	Universitas Airlangga
	PSAA018	Model Application for Effective Social Responsibility Audit in Public Sector Organisations in Drinking Water in Packaging Industry Approach to Human Centered Design	Priyo Suprobo, Diana Suteja, Soegeng Soetedjo & Basuki	Universitas Airlangga
	PSAA019	The Influence of Organizational Culture, Innovation Management and Internal Control Over The Implementation of Total Performance Scorecard (TPS) Effectiveness in Improving Performance of Public Sector Organization	Yanuar Nugroho & Heru Tjaraka	Universitas Airlangga
	PSAA020	Measuring The Public Value of E-Government as Performance Evaluation in Indonesia Local Government	Siti Amerieska	State Polythecnic of Malang
2.4	RSSCM005	Effect of Enviromental Performance And Good Corporate Governance and Firm Value with Enviromental Disclosure as Intervening Variable on High Profile Companies Listed on BEI 2011-2013 Period	Erina Sudaryati & Aryasena Putradigjaya	Universitas Airlangga
	PSAA009	The Implementation E-Procurement Towards Fraud Detection in Local Government	Imam Agus Faisol, Tarjo & Siti Musyarofah	Universitas Trunojoyo Madura
	RSSCM008	The Effect of Company Characteristics on Earning Response Coefficient (Empirical Study on Manufacturing Companies Listed on Indonesian Stock Exchange)	Charoline Cheisviyanny, Herlina Helmy & Joan Marta	Padang State University
	RSSCM009	The Influence of Corporate Governance Structure on Intellectual Capital Dislosure: Studied on LQ 45 Firms Listed on Indonesian Stock Exchange during 2011-2013	Astri Septia Simanjuntak & Amalia Rizki	Universitas Airlangga

2.5	SEA006	Eco-Efficiency and Sustainable Development as Efforts to Produce Environmentally Friendly Product: An Exploratory Case Study	B. Basuki	Universitas Airlangga
	SEA007	The Study of Corporate Environmental Reporting and Disclosure: A Case of PT. Unilever Indonesia	RR Marthina Briliana & Basuki	Universitas Airlangga
	SEA008	Carbon Footprints Disclosure Practices of Aerospace and Airlines Companies	Hasna Azizah Fithriani & Faisal	Diponegoro University
	SEA009	Interrelationship between Earnings Management and Corporate Social Responsibility Reporting	Alif Rishal Prasetya, Intan Dwi Yuliarti & Faisal	Diponegoro University
2.6	FA008	The Effect of Corporate Governance Mechanism on Earnings Managament Through Real Activities	Lodovicus Lasdi & Rr. Puruwita Wardani	Widya Mandala Catholic University Surabaya
	FA009	Earnings Management and Firm Financial Motives An Empirical Study on Manufacturing Companies in Indonesia	Rosalia Anita Wibiksono & Yie Ke Feliana	Universitas Surabaya
	MA009	The Influence of Good Corporate Governance Mechanism on Earning Management and Firm Value	Yustrida Bernawati & Arfilia Vega Wilianasari	Universitas Airlangga
	FA007	Factors Affecting Earnings Persistence (Institutional Ownership as A Moderating Variable)	Muhammad Khafid & Retnoningrum Hidayah	Semarang State University
2.7	SEA003	The Influence of Sustainability Report Disclosure as Moderating Variable towards the Impact of Intellectual Capital on Company's Performance	Reza Renaldi Mirhard & Anak Agung Gde Satia Utama	Universitas Airlangga
	SEA004	Content Analysis of National Cultural Dimension in Corporate Social Responsibility Reporting and The Implications: Study of State Owned Enterprises in China and Indonesia	Monica Taniya Soetanto & Dianne Frisko K	Universitas Surabaya
	SEA002	Environmental Accounting Practices in Indonesia and Management Behavior	Sarah Yuliarini & Tantri Bararoh	Universitas Wijaya Kusuma Surabaya
	SEA005	Implementation of Green Accounting Based on University Social Responsibility at Yogyakarta State University	Abdullah Taman	Yogyakarta State University

Third Session		Time		
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Room	**Paper Code**	**Title of Paper**	**Authors**	**University/Institution**
3.1	AE001	Developing An Accounting Textbook Integrated with Collaborative Learning and IFRS for Senior High School Students	Diana Tien Irafahmi & Sulastri	State University of Malang
	AE004	Moral Competence and Whistleblowing Intention (Empirical Study on Accounting Students)	Harti Budi Yanti	Trisakti University
	AE005	Perceive Relevant Skills and Forensic Accounting Education in Indonesia	Ananto Prabowo	Tanri Abeng University
	AE007	Role of Business Ethics Education for Young Entrepreneurs: A Case Study of Student in Accounting Department Ciputra University	Maria Assumpta Evi Marlina	Ciputra University
3.2	PSAA011	Incentives of Local Government Performance Disclosures On The Website/Internet: Indonesian Case	Sasono Adi	Universitas Indonesia
	PSAA005	The Relationship Between the Use of Performance Measurement System, Organizational Factors, Accountability, and Performance of Public Sector Organization	Muhammad Ahyaruddin & Rusdi Akbar	Universitas Gadjah Mada
	RSSCM006	Mechanism of Good Corporate Governance and Earnings Management : Empirical Study Before and After IFRS Adoption in Manufacturing Company Listed in Indonesia Stock Exchange	Erina Sudaryati & Harits Isnandar	Universitas Airlangga
	PSAA015	Lessons Learned from Early Implementation Stage of Accrual Accounting in Indonesia Local Government A Case Study in Province XYZ	Irwan Taufiq Ritonga	Universitas Gadjah Mada
	PSAA016	Analysis of Audit Report of The Local Government Financial Statements (Study on Counties and Cities in East Java Province)	Sri Ningsih	PDIA Student - Faculty of Economics and Business, Universitas Airlangga

3.3	AT002	Analysis of Intellectual Capital, Financial Performance and Tax Avoidance using Partial Least Square Structural Equation Modeling (PLS-SEM)	Deddy Arief Setiawan	Doctoral Program – Trisakti University
	FA001	Financial Report and Public Accountability Culture in Indonesia	Bambang Setiono & Dody Hapsoro	Sampoerna University Jakarta & STIE YKPN Yogyakarta
	AT008	The Arm's Length Transfer Pricing Rule as A Tool for Tax Strategy: An Ethnographic Study of Manufacturing Enterprise	Resti Sandi & Alfa Rahmiati	Universitas Airlangga
	AT010	Tax Aggressiveness on Banking Companies: Exploration on Corporate Risk and Corporate Governance	I Nyoman Suardijaya, Lilik Handajani & Zuhrotul Isnaini	University of Mataram
3.4	RSSCM010	The Effect of Cash Conversion Cycle and Firm Size Toward Firm's Profitability in Manufacture Company Listed on Indonesia Stock Exchange in The Period of 2011-2013	Yustrida Bernawati & Tamara Saraswati	Universitas Airlangga
	RSSCM011	Bank: Before and After IFRS	Sedianingsih, Mienati S. Lasmana & Okta S. Hartadinata	Universitas Airlangga
	RSSCM012	IFRS Adoption in Actor, Political and Business Related Accounting Ecology: Case Study in Indonesia	Hamidah	Universitas Airlangga
	OEAI005	The Analysis of Factors that Influence Relative Efficiency of General Banks After The Implementation of Indonesia Banking Architecture	Bertha Elizabet, Nanny Dewi & Aldrin Herwany	Universitas Padjadjaran Bandung
	OEAI008	Integrated Reporting – Are They Ready?	Amelia Setiawan	Parahyangan University
3.5	AT001	Is Audit Quality of Big 4 Firms Higher than Mid-Tier Firms? Study of Going-Concern Opinion and Auditor Reporting Accuracy in Indonesia	Antonius Herusetya & Francis Cia	Universitas Pelita Harapan
	AT005	An Analysis on Factors Influence Auditor Professional Skepticism and Audit Result Quality (Research done in BPKP Riau)	Andreas Tan, Arumega Zarefar & H.M. Rasuli	Universitas Riau
	AT006	Analysis of Audit Quality Effect on The Audited Firm Satisfaction at Regional Government of The Special Region of Yogyakarta	Miswaty	Universitas Balikpapan
	AT009	An Experimental Study: Assessing The Effect of Financial Incentives and Music on Audit Performance	Ines Nur Latifah & Ardianto	Universitas Airlangga

3.6	MA001	The Relationship between Intensity of Competition, Delegation of Authority, Changes in Management Accounting and Control Systems, Advanced Manufacturing Technology, and Organizational Performance (Empirical Study in Manufacturing Companies Listing in Indonesian Stock Exchange)	Lukluk Fuadah	Universitas Sriwijaya - Palembang
	MA002	Negative Framing, Rigid Thinking and The Escalation of Commitment on Decision Making: Experimental Study	Andi Irfan & Dessyka Febria	UIN SUSKA Riau & Universitas Riau
	MA003	Effect of Incentive Schemes and Goal-Setting Participation on Performance: Experimental Study on Entrepreneurship Students	Dian Wijayanti & Titik Desi Harsoyo	Ma Chung University
	MA010	De-escalation Commitment Strategy: The Effect of Hurdle Rates and Availability Information on Capital Budgeting Decisions	Teodora Winda Mulia & Lodovicus Lasdi	Widya Mandala Catholic University Surabaya
3.7	MA004	Activity Based Costing Model Development to Estimate Mining Services Reasonable Cost Provided by Contractor of PT. Kaltim Prima Coal (Case Study: Tania Pit of Melawan South Block)	Anwar Dasuki & Wiwiek M. Daryanto	PT. KALTIM PRIMA COAL (KPC) & Institut Teknologi Bandung
	MA005	Controlling Raw Material Costs of Production Through Activity Control System in The Production Value Chain Analysis in A Bakery (Case Study at Company X in Surabaya)	Ivana Laksmono & Debby Ratna Daniel	Universitas Airlangga
	MA006	Balanced Scorecard Evaluation in A Not-For-Profit Organization: Aiesec Case Study	Milla Hanifan Saniy & Khusnul Prasetyo	Universitas Airlangga
	MA007	A Contingency Model of SBU's Financial Performance	Hariyati & Bambang Tjahjadi	Universitas Negeri Surabaya & Universitas Airlangga
	OEAI009	Replacement Strategy and Financial Modeling for Heavy Equipment Procurement Toward The Expiry of PT KPC Contract Year 2021 (Study Case Dozer E525 Komatsu D375 and Excavator B302 Komatsu PC300 at PT Kaltim Prima Coal)	Asep Maulana Akbar & Wiwiek M. Daryanto	PT. KALTIM PRIMA COAL (KPC) & Institut Teknologi Bandung

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No.	Paper Code	Title of Paper	Authors	University/Institution
1	RSSCM001	The Efficiency of Bankruptcy Prediction Models in Tehran Stock Exchange Companies, Emerging Need in Privatization and Capital Market	Abdolreza Ghasempour & Neda Bashiri	Islamic Azad University-Bardsir Branch (Iran) & Yerevan State University (Armenia)
2	RSSCM002	Corporate Governance and Different Types of Voluntary Disclosure: Evidence from Companies Listed on the Stock Exchange Indonesia	Elin Erlina Sasanti, Wahidatul Husnaini & Susi Retna Cahyaningtyas	University of Mataram
3	RSSCM004	Do non-audit service fees associate with accrual earnings management during the IPO?	Mohammad Alhadab	University of Al alBayt University, Jordan
4	RSSCM005	Effect of Enviromental Performance And Good Corporate Governance and Firm Value with Enviromental Disclosure as Intervening Variable on High Profile Companies Listed on BEI 2011-2013 Period	Erina Sudaryati & Aryasena Putradigjaya	Universitas Airlangga
5	RSSCM006	Mechanism of Good Corporate Governance and Earnings Management : Empirical Study Before and After IFRS Adoption in Manufacturing Company Listed in Indonesia Stock Exchange	Erina Sudaryati & Harits Isnandar	Universitas Airlangga
6	RSSCM008	The Effect of Company Characteristics on Earning Response Coefficient (Empirical Study on Manufacturing Companies Listed on Indonesian Stock Exchange)	Charoline Cheisviyanny, Herlina Helmy & Joan Marta	Padang State University
7	RSSCM009	The Influence of Corporate Governance Structure on Intellectual Capital Dislosure: Studied on LQ 45 Firms Listed on Indonesian Stock Exchange during 2011-2013	Astri Septia Simanjuntak & Amalia Rizki	Universitas Airlangga

8	RSSCM010	The Effect of Cash Conversion Cycle and Firm Size Toward Firm's Profitability in Manufacture Company Listed on Indonesia Stock Exchange in The Period of 2011-2013	Yustrida Bernawati & Tamara Saraswati	Universitas Airlangga
9	RSSCM011	Bank: Before and After IFRS	Sedianingsih, Mienati S. Lasmana & Okta S. Hartadinata	Universitas Airlangga
10	RSSCM012	IFRS Adoption in Actor, Political and Business Related Accounting Ecology: Case Study in Indonesia	Hamidah	Universitas Airlangga
11	FA001	Financial Report and Public Accountability Culture in Indonesia	Bambang Setiono & Dody Hapsoro	Sampoerna University Jakarta & STIE YKPN Yogyakarta
12	FA002	The Factors Affecting Ethical Perception of Earnings Management Practice with Moral Reasoning as The Intervening Variable	Incha Naslicha Farahiani & Noorlailie Soewarno	Universitas Airlangga
13	FA003	Analysis of Factors Affecting The Decision-Usefulness of Financial Statements of Ministries/Institutions	Tunjung Probo Nirmala & Falikhatun	Inspectorate of the Ministry of Trade of the Republic of Indonesia & Business and Economic Faculty, Sebelas Maret University, Surakarta, Indonesia
14	FA004	The Effect of Female Executives on *Earnings Management*: Evidence from Indonesia	Tania Kogin & Felizia Arni Rudiawarni	Universitas Surabaya
15	FA005	Applying A Foreign Exchange Losses (FEL) Model to Detect Earnings Management	Yulius Jogi Christiawan & Alfa Rahmiati	PDIA Student - Faculty of Economics and Business, Universitas Airlangga
16	FA006	Are There Any Interactions Between Real Earnings Management and Accrual-Based Earnings Management?	Vogy Gautama Buanaputra	Universitas Gadjah Mada
17	FA007	Factors Affecting Earnings Persistence (Institutional Ownership as A Moderating Variable)	Muhammad Khafid & Retnoningrum Hidayah	Semarang State University

18	FA008	The Effect of Corporate Governance Mechanism on Earnings Managament Through Real Activities	Lodovicus Lasdi & Rr. Puruwita Wardani	Widya Mandala Catholic University Surabaya
19	FA009	Earnings Management and Firm Financial Motives An Empirical Study on Manufacturing Companies in Indonesia	Rosalia Anita Wibiksono & Yie Ke Feliana	Universitas Surabaya
20	FA010	The Relationship between Earnings Quality, Liquidity and Cost of Capital	Puput Tri Komalasari & Moh. Nasih	Universitas Airlangga
21	FA011	The Moderating Effect of Growth Opportunities on the Relationship between Financing Decision, Dividend Policy, Profitability and Liquidity toward Firm Value	Prayogo Teguh Ansori ; Ardianto	Universitas Airlangga
22	AT001	Is Audit Quality of Big 4 Firms Higher than Mid-Tier Firms? Study of Going-Concern Opinion and Auditor Reporting Accuracy in Indonesia	Antonius Herusetya & Francis Cia	Universitas Pelita Harapan
23	AT002	Analysis of Intellectual Capital, Financial Performance and Tax Avoidance using Partial Least Square Structural Equation Modeling (PLS-SEM)	Deddy Arief Setiawan	Doctoral Program – Trisakti University
24	AT003	Effect of Competence, Independence, and Professional Skepticism Against Ability to Detect Fraud Action in Audit Assignment (Survey on Public Accounting Firm (KAP) Registered in IICPA Territory of Jakarta)	Wiwi Idawati & Andrew Gunawan	Sekolah Tinggi Ilmu Ekonomi Indonesia (STEI) Jakarta
25	AT005	An Analysis on Factors Influence Auditor Professional Skepticism and Audit Result Quality (Research done in BPKP Riau)	Andreas Tan, Arumega Zarefar & H.M. Rasuli	Universitas Riau
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27	AT007	Good Corporate Governance Effect on Tax Avoidance (Empirical Study on Manufacturing Companies Listed in IDX period 2010-2013)	Winnie & Vivi Adeyani Tandean	Kwik Kian Gie School of Business
28	AT008	The Arm's Length Transfer Pricing Rule as A Tool for Tax Strategy: An Ethnographic Study of Manufacturing Enterprise	Resti Sandi & Alfa Rahmiati	Universitas Airlangga
29	AT009	An Experimental Study: Assessing The Effect of Financial Incentives and Music on Audit Performance	Ines Nur Latifah & Ardianto	Universitas Airlangga
30	AT010	Tax Aggressiveness on Banking Companies: Exploration on Corporate Risk and Corporate Governance	I Nyoman Suardijaya, Lilik Handajani & Zuhrotul Isnaini	University of Mataram
31	AT012	The influence of audit committee independence and activity on the financial reporting timeliness	Almhdi Abulgasim Abusbaiha	Doctoral Program of Economic Science - Diponegoro university
32	AT013	The Effect of Business Strategy on Corporate Tax Avoidance, Empirical Evidence in Indonesia	Dianwicaksih Arieftiara, Sidharta Utama, Ratna Wardhani & Ning Rahayu	Universitas Negeri Surabaya & University of Indonesia
33	GS001	Corporate Governance Convergence	Vogy Gautama Buanaputra Dr. Sumiyana M.Si., Akt., CA	Universitas Gadjah Mada
34	GS002	Value-Added Enterprise, Corporate Governance on Sustainable Enterprise with Investment Opportunities Set as Intervening Variable	Ali Sandy Mulya & Sekar Mayangsari	Budi Luhur University & Trisakti University
35	GS003	The Quality of Sustainability Reporting Assurance Statement of Fortune Global 500 Companies	Muhammad Bahrul Ulum & Faisal	Diponegoro University
36	MA001	The Relationship between Intensity of Competition, Delegation of Authority, Changes in Management Accounting and Control Systems, Advanced Manufacturing Technology, and Organizational Performance (Empirical Study in Manufacturing Companies Listing in Indonesian Stock Exchange)	Lukluk Fuadah	Universitas Sriwijaya - Palembang

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52	SEA009	Interrelationship between Earnings Management and Corporate Social Responsibility Reporting	Alif Rishal Prasetya, Intan Dwi Yuliarti & Faisal	Diponegoro University
53	AE001	Developing An Accounting Textbook Integrated with Collaborative Learning and IFRS for Senior High School Students	Diana Tien Irafahmi & Sulastri	State University of Malang
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61	PSAA006	The Influence Factors on The Behavioral Organization Toward The Use of Accrual Accounting System (Empirical Study On the Government Sragen Regency)	Nur Endah Widyastuti & Falikhatun	Inspectorate of the Ministry of Trade of the Republic of Indonesia ; Business and Economic Faculty, Sebelas Maret University, Surakarta, Indonesia
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77	OEAI005	The Analysis of Factors that Influence Relative Efficiency of General Banks After The Implementation of Indonesia Banking Architecture	Bertha Elizabet, Nanny Dewi & Aldrin Herwany	Universitas Padjadjaran Bandung
78	OEAI006	Determinants Distribution of Financing and Implications to Profitability (Empirical Study on Cooperative Syariah BMT in Indonesia)	Oyong Lisa & Kurniawan	STIE Widya Gama Lumajang
79	OEAI007	Traditional Market Accounting: Management or Financial Accounting?	Wiyarni	STIE Malangkuçeçwara Malang
80	OEAI008	Integrated Reporting – Are They Ready?	Amelia Setiawan	Parahyangan University

81	OEAI009	Replacement Strategy and Financial Modeling for Heavy Equipment Procurement Toward The Expiry of PT KPC Contract Year 2021 (Study Case Dozer E525 Komatsu D375 and Excavator B302 Komatsu PC300 at PT Kaltim Prima Coal)	Asep Maulana Akbar & Wiwiek M. Daryanto	PT. KALTIM PRIMA COAL (KPC) & Institut Teknologi Bandung
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Paper Code	Description
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FA	Financial Accounting
AT	Auditing and Taxation
GS	Governance and Sustainability
MA	Management Accounting
SEA	Social and Environmental Accounting
AE	Accounting Education
PSAA	Public Sector Accounting and Accountability
OEAI	Other Emerging Accounting Issues

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Head of Institute of Indonesia Chartered Accountants
East Java Region

Prof. Tjiptohadi Sawarjuwono, M.Ec., Ph.D., Ak., CPA., CA.

Head of Accountancy Department
Universitas Airlangga

Drs. Agus Widodo Mardijuwono, M.Si., Ak., CMA., CA.

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