ISSN No:-2456-2165

Analysis of the Effect of Ownership Structure, Corporate Governance Practice and Bonus Compensation on Profit Management in Manufacturing Companies

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Abstract:- Agency theory suggests that between the principal (owner) and the agent (manager) have different interests, a conflict arises called an agency conflict. This separation of functions between owners and management has a negative impact, namely the flexibility of the management (manager) of the company to maximize profits. This condition occurs because of asymmetry information between management and other parties who do not have access to information about the company. It is therefore interesting to study management actions.

This study examines the effect of ownership structure, corporate governance practices and bonus compensation on earnings management. Ownership structure, corporate governance practices and bonus compensation as independent variables and earnings management as the dependent variable. The corporate governance practices used in this study include: the composition of the board of commissioners, the audit committee and independent auditors that are proxied by the size of the KAP.

The test results on 100 samples of manufacturing companies listed on the Stock Exchange during the period 2015-2017 showed that the ownership structure, the proportion of independent commissioners and bonus compensation had a significant influence on earnings management. While the audit committee and KAP size do not have a significant influence on earnings management.

Keywords:- *Corporate Governance, Ownership Structure, Bonus Compensation and Earnings Management.*

I. INTRODUCTION

A. Background

Earnings management arises because of agency conflicts, which arise because of the separation between ownership and management of the company (Sudewi, 2004). With this separation, the owner of the company gives authority to the manager to manage the company's operations such as managing funds and making other company decisions on behalf of the owner. With this authority, it is possible that the manager does not act the best for the interests of the owner, because of conflicts of interest. Flexibility in managing a company can lead to abuse of authority, management as a company manager will maximize company profits which lead to the process of maximizing its interests at the expense of the owner of the company. This might happen because the manager has information that is not owned by the company owner (asymmetric information) (Forum for Corporate Governance in Indonesia or FCGI, 2001).

In the context of implementing good corporate governance, the Indonesia Stock Exchange (BEI) issued a regulation dated July 1, 2001 which regulated the formation of independent commissioners and audit committees. . According to Egon Zehnder in FCGI (2001), board of commissioners is the core of corporate governance that is tasked with ensuring the implementation of the company's strategy, overseeing management in managing the company and requiring accountability. Several studies have proven the existence of a negative relationship between board of commissioners and earnings management (Dechow et al., 1996; Beasley et al., 2000; Klein, 2002). The existence of this audit committee is an effort to improve the way the company manages, especially how to supervise the company's management. This is because the audit committee will be the liaison between the management of the company and the board of commissioners and other external parties. Defonnd and Jiambalvo (1991) found that companies that reported higher profits than they should have were that the company did not have an audit committee. The results of Beasley's (1996) study found no statistical relationship between the existence of the audit committee and fraudulent financial reporting trends.

The management of the company as an agent requires a third service so that the level of trust of external companies (one of them principals) to accountability is higher, and vice versa the external company requires third party services to convince itself that reports presented by company management can be trusted as a basis for decision making , 2007). Public accountants as external auditors who are relatively more independent than management than internal

auditors, so far are expected to minimize profit engineering cases and increase the credibility of accounting information in financial statements (Meutia, 2004). There are studies that have proven that demands on auditors and earnings management practices are influenced by the size of the related KAP (Becker et al., 1998).

Kane, et al. (2005) by using the bonus mechanism in the theory of elegance, explaining that management ownership under 5% there is a desire from managers to make earnings management in order to get a large bonus. Management ownership is above 25%, because management has considerable ownership with corporate control rights, so information asymmetry is reduced.

Based on the description above, the writer takes the title "The Influence of Ownership Structure, Corporate Governance Practices and Bonus Compensation on Profit Management". In this study, the authors want to prove that earnings management can be influenced by ownership structures, the application of corporate governance and bonus compensation.

B. Formulation of the problem

- Does the ownership structure affect earnings management?
- Does the application of corporate governance practices affect earnings management?
- Does bonus compensation affect earnings management?

C. Objectives and Benefits of Research

Based on the description of the problem above, this study aims:

- Analyze that ownership structure can affect earnings management in public companies.
- Analyzing the application of corporate governance practices can affect earnings management in public companies.
- Analyze that bonus compensation can affect earnings management in public companies.

The benefits expected from this study include:

➢ *Academics*

It is expected to provide information and contribute to the development of science, especially research related to financial accounting and management behavior, especially in the field of earnings management.

➢ *Investor*

Looking at the financial statements contained in companies going public, especially those related to ownership structures, the application of corporate governance in relation to investment decision making.

➢ *Company*

Provide input in looking at management behavior in earnings management activities related to achieving bonus compensation.

➢ *Future research*

As a reference for future research, especially research related to the influence of corporate structure, corporate governance practices and compensation for bonuses on earnings management.

II. LITERATURE REVIEW

A. Agency Theory (Agency Theory)

Salno and Baridwan (2000) in Herwanto (2005) state that the explanation of the concept of earnings management is inseparable from agency theory. Agency theory suggests that if the principal (owner) and agent (manager) have different interests, a conflict arises called agency conflict (Richardson, 1998; DuCharme et al., 2000 in Hastuti, 2005). . One of the obstacles that will arise between agents and principals is the existence of information asymmetry. Information asymmetry is a situation where managers have access to information on company prospects that are not owned by parties outside the company (Rahmawati, et al., 2006). This condition provides an opportunity for agents to use information they know to manipulate financial reporting in an effort to maximize their prosperity. This information asymmetry results in a moral hazard in the form of a management effort to conduct earnings management.

B. Earnings Management

Earnings management is an action taken by management that raises or decreases reported profits from the unit that is its responsibility, which does not have a relationship with the increase or decrease in the company's profitability for the long term (Widjaja, 2004). Thus, Century management can be interpreted as a management action that affects reported earnings and gives wrong economic benefits to the company, so that in the long run it will be very disturbing and even endanger the company (Merchant and Rockness, 1994 in Mayangsari, 2001).

Earnings management is interesting to study because it can provide an overview of the behavior of managers in reporting their business activities in a given period, namely the possibility of certain motivations that encourage them to regulate the reported financial data. Earnings management does not have to be associated with attempts to manipulate accounting data or information, but rather tends to be associated with the selection of accounting methods (accounting methods) to regulate the benefits that can be made because it is permissible according to accounting regulations (Gumanti, 2000).

C. Ownership Structure

One of the corporate governance mechanisms that is used to reduce agency costs is to increase share ownership by management. The separation of ownership by the principal with the control by the agent in an organization tends to cause an agency conflict between the principal and the agent. To minimize agency conflict is to increase managerial ownership in the company.

The greater management ownership in the company, the management will tend to try to improve its performance for the benefit of shareholders and for its own interests (Siallagan and Machfoedz, 2006).

Suranta and Midiastuti (2005) examine the effect of corporate governance mechanisms on earnings management practices. In this study proves that managerial ownership is one of the corporate governance mechanisms that can be used to minimize agency conflict.

D. Corporate Governance Practices

The Cadbury Committee (in Isgiyarta, 2005) defines good corporate governance as a set of rules that regulate relations between shareholders, company managers, creditors, governments, employees and other internal and external stakeholders related to their rights and obligations, or with in other words a system that regulates and controls a company. The purpose of good corporate governance is to create added value for all interested parties.

The existence of a corporate governance system in the company is believed to limit the management of earnings management. Therefore, it is suspected that with higher audit quality, the higher proportion of independent commissioners, and the existence of audit committees, the opportunist management of earnings will be smaller (Siregar, et al, 2005).

In the context of implementing good corporate governance, the Indonesia Stock Exchange (BEI) issued a regulation on July 1, 2001 which regulated the formation of a board of commissioners and an audit committee.

E. Audit Committee

The audit committee is one of the important elements in realizing the implementation of good corporate governance. The existence of this audit committee is an effort to improve the way the company manages, especially the method of supervision of company management, because it will be a liaison between the management of the company and the board of commissioners and other external parties.

The membership of the Audit Committee is regulated in the Decree of the Board of Directors of the Indonesia Stock Exchange Number Kep-315 / BEI / 062000 part C, which consists of at least 3 (three) members. One of them is an independent commissioner of a listed company who simultaneously serves as chairman of the audit committee. While other members are independent external parties where at least one of them has the ability in accounting and or finance.

F. Board of Commissioners

Board of Commissioners plays a very important role in the company, especially in the implementation of good corporate governance. According to Egon Zehnder International (2000) in FCGI (2001), the board of commissioners is the core of corporate governance that is tasked with ensuring the implementation of the company's strategy, overseeing management in managing the company, and requiring accountability. According to the Recording Regulation of Number I-A concerning General Provisions for Listing of Equity-Type Securities at the Exchange, namely the number of independent commissioners is at least 30 percent. In the context of implementing good corporate governance, listed companies are required to have independent commissioners whose amounts are proportional to the number of shares held by non-controlling shareholders with the stipulation that the number of independent commissioners is at least 30 percent of the total number of commissioners.

G. Size of KAP

Auditors are one mechanism to control management behavior so that the auditing process has an important role in reducing agency costs by limiting management's opportunistic behavior. Public accountants as external auditors who are relatively more independent than management than internal auditors are expected to minimize profit engineering cases and increase the credibility of accounting information in financial statements.

Meutia (2004) concluded that a larger public accounting firm, the audit quality produced was also better. The difference in the quality of services offered by public accounting firms shows the identity of the public accounting firm. Auditor independence and quality can have an impact on the detection of earnings management. There are allegations that reputable auditors can detect the possibility of earning management earlier so that it can reduce the level of earnings management carried out by company management. The use of high quality auditors will also reduce the opportunity for issuers to act fraudulently in presenting inaccurate information to the public

H. Bonus Compensation

Hypothesis bonus plan is one of the motives for choosing an accounting method inseparable from positive accounting theory. This hypothesis states that company managers with bonus plans prefer accounting methods that increase earnings for the period. The choice is expected to increase the present value of the bonus to be received if the compensation committee of the Board of Directors does not adjust to the chosen method (Watts and Zimmerman, 1990 in

Chariri and Ghozali, 2003). If the company has compensation (bonus scheme), then managers will tend to take actions that regulate net income to be able to maximize the bonus they receive. In bonus contracts there are two important terms, bogey and stamp.

I. Previous Research

Chtourou et al. (2001) found a relationship between earnings management and governance practices carried out by the audit committee. The study also found that the size of the board of commissioners was negatively related to earnings management. This is contradictory to the results of Beasley's (1996) study which found that the greater the size of the board of commissioners, the greater the fraudulent financial reporting.

Klein (2002) examined whether the characteristics of the audit committee and board of commissioners are related to earnings management. The results of this study ultimately provide a conclusion that the behavior of earnings manipulation carried out by company management is highly dependent on the characteristics of the board of directors and the number of audit committees owned by the company.

Sylvia Veronica N.P. Siregar and Siddharta Utama (2005) show that the average earnings management in companies with high family ownership and not conglomeration is significantly higher than the average earnings management in other companies, besides the high proportion of independent commissioners and the existence of an audit committee is not proven can limit profit management by the company.

J. Thinking Framework

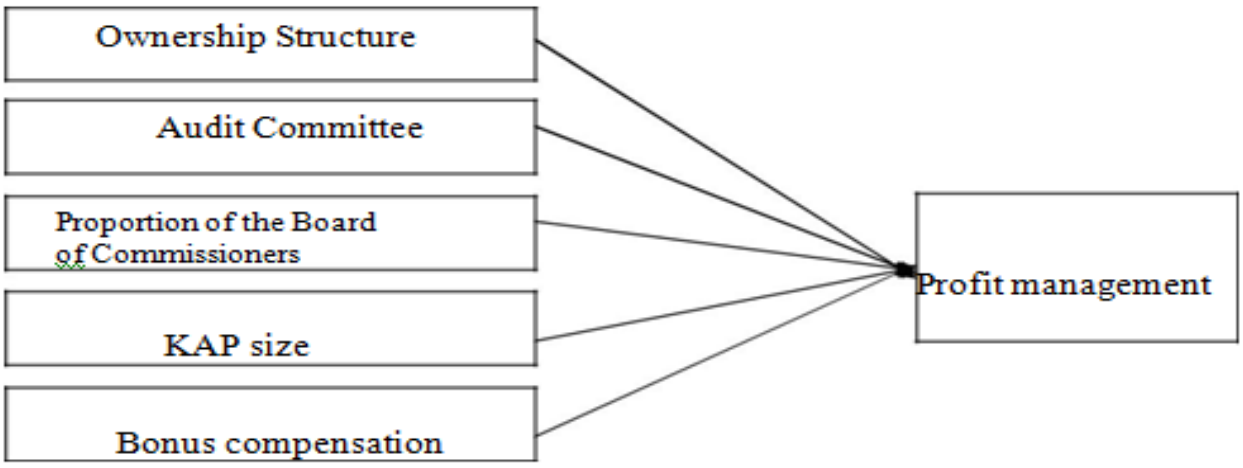


Fig 1:- Research Framework

K. Hypothesis

This research attempts to explain about the factors that influence earnings management, including the existence of a company ownership structure, audit committee, the proportion of the board of commissioners, the size of KAP and bonus compensation.

Based on the explanation above, the researcher formulated the hypothesis as follows:

- H1: Ownership structure negatively affects earnings management.
- H2: The existence of an audit committee has a negative effect on earnings management.
- H3: The proportion of board of commissioners has a negative effect on earnings management.
- H4: KAP size has a negative effect on earnings management.
- H5: Bonus compensation has a positive effect on earnings management.

III. RESEARCH METHODS

A. Research Variables and Operational Definitions

➢ *Independent Variable*

The independent variables in this study are bonus compensation, KAP size and corporate governance mechanisms which consist of ownership structure, independent board of commissioners, and audit committee.

➢ *Dependent Variable*

The dependent variable in this study is earnings management.

B. Population and Sampling Techniques

The population in this study includes all companies whose shares are listed on the Indonesia Stock Exchange (IDX). While for determining the sample based on the purposive sampling method.

C. Types and Data Sources

The data used in this study is secondary data of companies listed on the IDX. The secondary data is obtained from the Indonesian Stock Exchange (PRPM) Reference Center, Diponegoro University IDX Corner, Indonesian Capital Market Directory (ICMD), and www.idx.co.id ..

D. Method of Collecting Data

Data collection methods used in this study are documentary methods. Information on accounting data, the proportion of board of commissioners, KAP size and bonus compensation are obtained from soft copy of 2015-2017 financial statements and ICMD 2007. While information about the existence of audit committees is obtained from the IDX homepage, namely www.idx.co.id.

E. Analysis Method

➢ *Classic Assumption Test*

- *Data Normality Test*

Data normality test aims to test whether in the regression model, the dependent and independent variables have a normal distribution or not. In testing normality, this study uses the one sample kolmogorov-smirnov statistical test and normal plot graph analysis to strengthen testing. A good regression model has normal or near-normal data distribution (Ghozali, 2005).

- *Multicollinearity Test.*

This test aims to test whether the regression model is found there is a correlation between independent variables. To detect the presence or absence multicollinearity in regression can be seen from: (1) tolerance values and their opponents (2) variance inflation factor (VIF).

- *Heteroscedasticity Test*

This test aims whether the regression model occurs in variance inequality from the residual one observation to another observation. One way to detect is there whether heterokedacity is done by testing the Glejser and looking at the graph scatterplot between the predicted value of the dependent variable, namely ZPRED with the residual is SRESID.

- *Autocorrelation Test*

This test is aimed at whether in the linear regression model there is a correlation between interruption in the period t and the interruption in the t-1 period (previously). If there is a correlation, then there is an autocorrelation problem. This study uses the Durbin-Watson test to detect autocorrelation problems.

➢ *Hypothesis Testing*

The model tested in this study can be stated in the regression equation below:

$$DA_{it} = \beta_0 + \beta_1 SK_{it} + \beta_2 KA_{it} + \beta_3 \%KOMIS_{it} + \beta_4 AUD_{it} + \beta_5 KB_{it} + \beta_6 LEV_{it} + \beta_7 SIZE_{it} + \varepsilon_{it} \quad (5)$$

Keterangan:

DACit : the value of discretionary accruals calculated using Jo's model on year t.

Skit : percentage of management's share ownership of the company's total hares in year t

WEIGHT : the number of audit committee members in year t

% COMMISSION : percentage of independent commissioners to total commissioners in year

AUDIT : auditor at year t measured by dummy, where:
1 = including KAP BIG 4
0 = including non-BIG KAP 4

Kbit : bonus compensation in year t measured by dummy, where:
1 = there is a bonus compensation for management
0 = there is no provision of bonus compensation to management

LEVit : leverage on year t

SIZEit : company size in year t

Eit : error

Regression analysis is done to find out how much the relationship between the independent variable and the dependent variable. The statistical tests performed are: a. Coefficient of Determination (R2)

The measurement of the coefficient of determination (R2) is done to determine the percentage effect of independent variables (predictors) on changes in the dependent variable. From here it will be known how much the dependent variable will be able to be explained by its independent variables, while the remainder is explained by other reasons outside the model. A value close to one means that the independent variables provide almost all the information needed to predict variations in the dependent variable.

- *Test F Statistics*

The F statistical test is performed to find out whether the independent variable is there are in the regression equation together affect the value of the dependent variable. In the F test the conclusions taken are by looking at the significance (α) provided that:

α> 5%: unable to reject H0
α <5%: Refuse H0 c. Test Statistics t

This test is conducted to test the level of significance of the effect of each independent variable on the dependent variable partially. The conclusion taken in this t test is to look at the significance (α) provided that:

α> 5%: unable to reject H0
α <5%: Refuses H0

IV. HASIL DAN PEMBAHASAN

A. Deskripsi Obyek Penelitian

Penelitian ini menggunakan populasi perusahaan manufaktur yang terdaftar di Bursa Efek Jakarta selama periode 2003-2006, yaitu sebanyak 100 perusahaan. Sampel diseleksi dengan menggunakan metode purposive sampling. Berdasarkan kriteria yang telah ditetapkan pada bab sebelumnya, maka didapatkan sampel akhir sebanyak 47 perusahaan.

B. Analisis Data

➢ *Statistik Deskriptif*

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DA	100	-1.61255	2.42353	-.0000001	.33223362
SK	100	.01	26.89	4.3526	6.63216
KI	100	16.67	60.00	35.7318	8.08042
KA	100	1.00	5.00	3.0496	.41963
LEV	100	.055	4.366	.63159	.523195
SIZE	100	10.25	17.87	13.3713	1.45099
Valid N (listwise)	100				

Table 1:- Statistik Deskriptif Variabel Penelitian (Source: processed secondary data, 2018)

Based on table 1, it can be seen that the number of samples (N) is 100, of the 100 samples the smallest DA (earnings quality) is -1.61255 and the largest DA value (maximum) is 2.42353. The mean (DA) of 100 samples is -0.0000001, with the DA standard deviation of 0.33223362. The minimum value for the SK variable (ownership structure) is 0.01 while the largest value of the SK variable is 26.89. The average of the SK variable is 4.3526, with the standard deviation of the SK variable of 6.63216. The minimum value for the KI variable (independent commissioner) is 16.67 while the largest value of the KI variable is 0.60. The average of the KI variables is 35.7318, with the standard deviation of the KI variable at 8.08042. The minimum value for the KA (Audit Committee) variable is 1 while the largest value of the KA variable is 5. The average of the KA variable is 3.0496, with the standard deviation of the train variable being 0.41963.

AUD

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	36	36	36	36
	1	64	64	64	100.0
	Total	100	100.0	100.0	

Table 2:- Descriptive Statistics KAP Size Variables (Source: processed secondary data, 2018)

Based on table 2, the KAP size variable is measured using a dummy variable. The value of 1 shows there are 64 samples or 64.0 percent of the sample using the services of KAP affiliated with foreign KAP (Big 4 KAP), while the value of 0 shows as many as 36 samples or 36.0 percent using domestic KAP services.

KB

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	36	36	36	36
	1	64	64	64	100
	Total	100	100	100	

Table 3:- Variable Descriptive Statistics Bonus Compensation (Source: processed secondary data, 2018)

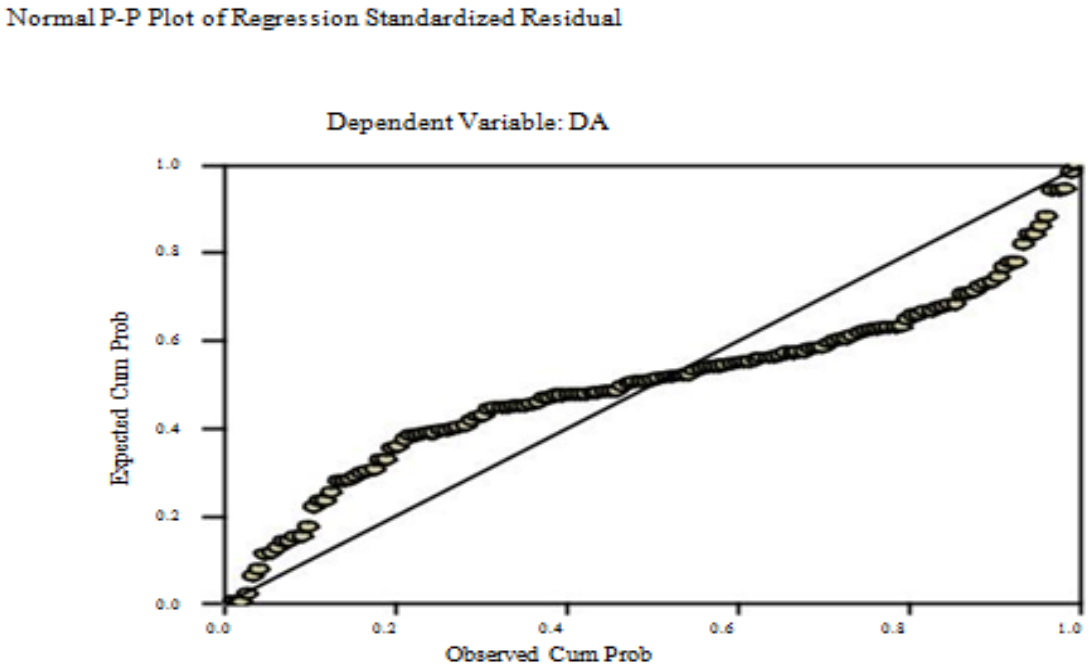
Based on table 3, bonus compensation variables are measured using dummy variables. Value 1 shows there are 64 samples or 64.0 percent of the sample that gives bonus compensation to the management, while the value of 0 indicates as many as 36 samples or 36.0 percent that do not provide bonus compensation to the management.

➢ *Classic Assumption Test*

- *Normality Test*

✓ *Testing with Plot Graph Analysis*

From the test results using plot graph analysis, it can be seen that earnings management variables (DA) are not normally distributed, because the points spread around the diagonal line and spread away from the diagonal line.



Graph 1:- Test Results with Plot Graph Analysis (Source: processed secondary data, 2018)

✓ *Testing with Kolmogorov-Smirnov One-Sample*

From the results of the One-Sample Kolmogorov-Smirnov test, it can be seen that the Kolmogorov-Smirnov value is 2.021 and has a probability value of 0.000 far below $\alpha = 0.05$, so it can be concluded that the resisual data is not normally distributed, the Kolmogorov-Smirov test results support testing using plot graphs.

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		100
Normal Parameters [a,b]	Mean	.0000000
	Std. Deviation	.33140493
Most Extreme Differences	Absolute	.170
	Positive	.170
	Negative	-.170
Kolmogorov-Smirnov Z		2.021
Asymp. Sig. (2-tailed)		.001

a. Test distribution is Normal.

b. Calculated from data.

Table 4:- Kolmogorov-Smirnov One-Sample Test Results (Source: processed secondary data, 2018)

- *Multicollinearity Test*

The results of the calculation of tolerance values indicate that there is no independent variable that has a tolerance value of less than 10 percent, which means there is no correlation between independent variables whose value is more than 95 percent. From the calculation of the Inflation Factor Variant (VIF) it also shows that there is no single independent variable that has a VIF value of more than 10. So it can be concluded that there is no multicollinearity between the independent variables in the regression model.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-.069	.399		-.173	.863		
	SK	.001	.005	.014	.140	.889	.759	1.317
	KI	-.001	.004	-.030	-.329	.743	.924	1.083
	KA	.021	.076	.026	.270	.787	.804	1.244
	AUD	-.012	.062	-.018	-.196	.845	.844	1.184
	KB	.012	.065	.019	.192	.848	.805	1.243
	LEV	.036	.062	.057	.587	.558	.795	1.257
	SIZE	.002	.024	.007	.071	.943	.677	1.478

a. Dependent Variable: DA

Table 5:- Results of Calculation of Tolerance and VIF Values (Source: processed secondary data, 2018)

From the results of the magnitude of the correlation between the independent variables in table 6, there does not appear to be a variable that has a high enough correlation. All correlations between independent variables are still below 95%, it can be said that there is no multicollinearity between independent variables.

Coefficient Correlations[a]

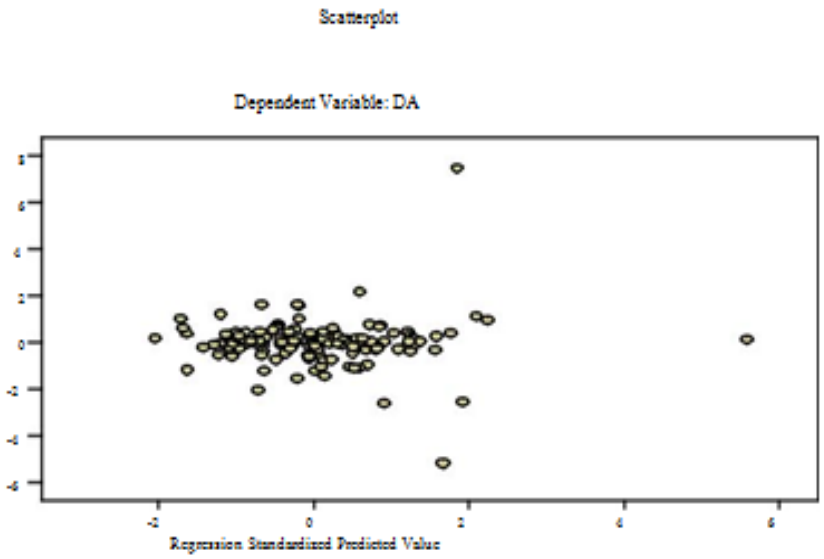
Model			FSIZE	KB	LEV	KI	KA	SK	AUD
1	Correlations	FSIZE	1.000	.045	.079	-.155	-.204	.294	-.080
		KB	.045	1.000	.015	-.014	.162	.052	-.140
		LEV	.079	.015	1.000	.080	.082	.102	.128
		KI	-.155	-.014	.080	1.000	.092	-.029	-.128
		KA	-.204	.162	.082	.092	1.000	-.061	-.195
		SK	.294	.052	.102	-.029	-.061	1.000	.319
		AUD	-.080	-.140	.128	-.128	-.195	.319	1.000
	Covariances	FSIZE	.001	.000	.000	-.002	.000	.000	.000
		KB	.000	.010	.000	-.001	.001	.000	-.002
		LEV	.000	.000	.013	.004	.000	.000	.002
		KI	-.002	-.001	.004	.180	.002	.000	-.006
		KA	.000	.001	.000	.002	.002	.000	-.001
		SK	.000	.000	.000	.000	.000	.000	.000
		AUD	.000	-.002	.002	-.006	-.001	.000	.013

a. Dependent Variable: DA

Table 6:- Independent Inter Variable Correlation (Source: processed secondary data, 2018)

- *Heteroscedasticity Test*

One way to detect the presence or absence of heteroscedasticity can be done by looking at the presence or absence of certain patterns on the scatterplot graph.



Graph 2:- Scatterplot Heteroscedasticity Test (Source: processed secondary data, 2018)

Based on the scatterplots graph on graph 2 it can be seen that there are no clear patterns, and the points spread above and below the zero on the Y axis. To strengthen the testing, heteroscedasticity testing was performed using the Glejser test.

Table 7 shows that there are only 2 independent variables, namely independent commissioners and statistically significant leverage affecting the dependent variable Ut Absolute Value (AbsUt). This can be seen from the probability of its significance below the 0.05 confidence level. So it can be concluded that the regression model contains heteroscedasticity.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.239	.289		.825	.411		
	SK	-.007	.004	-.159	-1.849	.067	.759	1.317
	KI	.006	.003	.177	2.281	.024	.924	1.083
	KA	.004	.055	.006	.077	.938	.804	1.244
	AUD	.028	.045	.050	.611	.542	.844	1.184
	KB	-.086	.047	-.151	-1.816	.072	.805	1.243
	LEV	.202	.045	.379	4.515	.000	.795	1.257
	SIZE	-.027	.017	-.138	-1.520	.131	.677	1.478

a. Dependent Variable: AbsUt

Table 7:- Glejser test (Source: processed secondary data, 2018)

- *Autocorrelation Test*

The autocorrelation test aims to test whether in the linear regression model there is a correlation between the confounding errors in period t and the interfering errors in the t-1 period (before). From testing using Durbin-Watson, the results are as follows:

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.042 [a]	.002	-.042	.6352166	1.973

a. Predictors: (Constant), SIZE, KI, KB, AUD, LEV KA, SK

b. Dependent Variable: DA

Table 8:- Durbin-Watson Test Results (Source: processed secondary data, 2018)

From the output display in table 8, the durbin-watson value is 1.973. This value is then compared with the table value with α = 0.05 with the number of samples (n) of 100 companies and the number of independent variables (k) as many as 7, then the value of du = 1,826 and dl = 1,528. The value of d (1,973) is greater than the value of du (1,826) and the value of d (1,973) is smaller than 4-du (2,169), so the decision is that there is no positive or negative autocorrelation.

Based on the classic assumption test, it can be seen that this regression model does not meet the assumptions of normality and heteroscedasticity. So that the revision of the regression model is needed, namely by using the Log-Linear model (Ghozali, 2005), so that the new regression model becomes:

$$\text{Ln DAC}_{it} = \beta_0 + \beta_1 KA_{it} + \beta_2 \text{Ln\%KOMIS}_{it} + \beta_3 AUDit + \beta_4 KB_{it} + + \beta_5 SK_{it} + \beta_6 \text{LnLEV}_{it} + \beta_7 \text{LnSIZE}_{it} + \varepsilon_{it} \quad (6)$$

Outlier values will be issued so that the variable data becomes normal. From the test results, data outliers were obtained:

Casewise Diagnostics [a]

Case Number	Std. Residual	LnDA	Predicted Value	Residual
37	-3.563	-7.26	-2.3795	-4.88489
93	-3.025	-7.34	-3.1910	-4.14752

a. Dependent Variable: LnDA

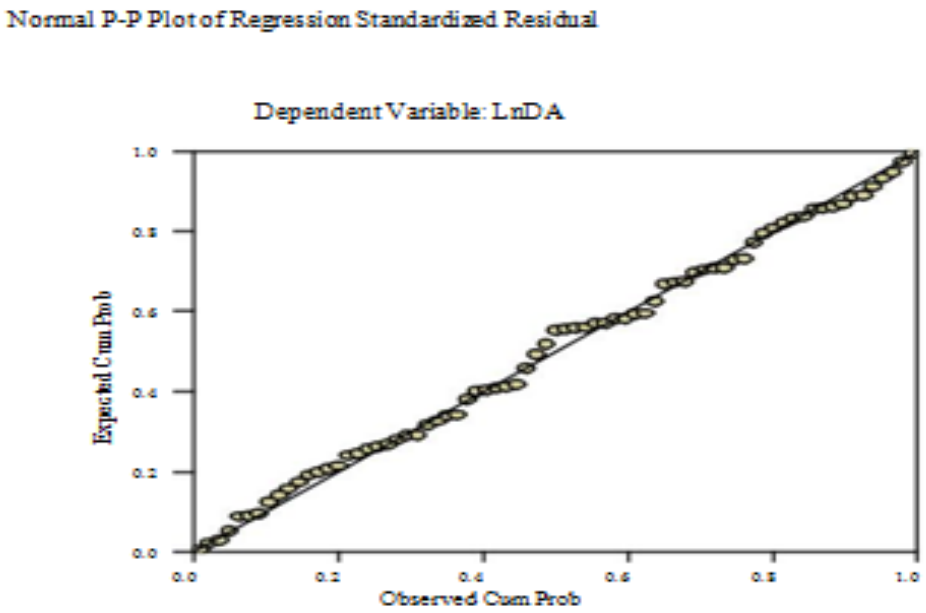
Table 9:- Data Outlier (Source: processed secondary data, 2018)

From table 9, it is known that data number 37 and 93 are outlier data, so it must be excluded because the residual value is above 3 (Ghozali, 2005), so the number of samples becomes 97 samples. Then a re-examination of the new regression model was conducted with a sample of 97 companies.

- *Normality Test*

✓ *Testing with Plot Graph Analysis.*

From graphical analysis 3, it can be seen that the LnDA variable spreads around the diagonal line and its distribution follows the diagonal line so that it is said that the variable is normally distributed.



Graph 3:- Test Results with Plot Graph Analysis (Source: processed secondary data, 2018)

✓ *Testing with Kolmogorov-Smirnov One-Sample*

From the results of the One-Sample Kolmogorov-Smirnov test, it can be seen that the Kolmogorov-Smirnov value is 0.526 and has a probability value of 0.945 far above $\alpha = 0.05$, so it can be concluded that the resisual data is normally distributed, the Kolmogorov-Smirov test results are consistent by testing using plot graphs.

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		73
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	1.06399825
Most Extreme Differences	Absolute	.062
	Positive	.039
	Negative	-.062
Kolmogorov-Smirnov Z		.526
Asymp. Sig. (2-tailed)		.945

a. Test distribution is Normal.

b. Calculated from data.

Table 10:- Kolmogorov-Smirnov One-Sample Test Results (Source: processed secondary data, 2018)

- *Multicollinearity Test*

From table 11, it can be seen that the calculation of tolerance value shows that there is no independent variable which has a tolerance value of less than 10 percent, which means there is no correlation between the independent variables whose value is more than 95 percent. From the results of the VIF calculation it also shows that there is no one independent variable that has a VIF value of more than 10. So it can be concluded that there is no multicollinearity between the independent variables in the regression model.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.271	3.959		1.079	.285		
	LnSK	-.142	.071	-.248	-2.148	.041	.794	1.259
	LnKI	.264	.633	.225	2.024	.048	.896	1.115
	LnKA	-.276	.688	-.049	-.401	.690	.836	1.196
	AUD	-.230	.296	-.097	-.777	.440	.788	1.269
	KB	-.651	.279	-.268	-2.334	.023	.932	1.072
	LnLEV	.279	.193	.237	2.104	.043	.891	1.122
	LnSIZE	-2.562	1.335	-.221	-2.019	.049	.831	1.203

a. Dependent Variable: LnDA

Table 11:- Results of Calculation of Tolerance and VIF Values (Source: processed secondary data, 2018)

From the results of the magnitude of the correlation between independent variables in table 12, there does not appear to be a variable that has a high enough correlation. All correlations between independent variables are still below 95 percent, it can be said that there is no multicolonity between independent variables.

Coefficient Correlations[a]

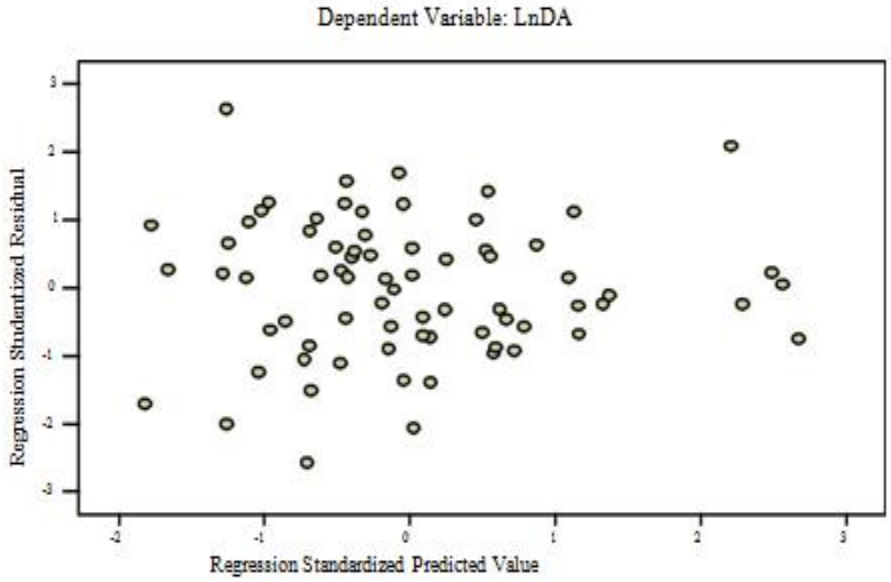
Model			LnSIZE	KB	LnKI	LnLEV	LnSK	LnKA	AUD
1	Correlations	LnSIZE	1.000	.078	-.129	.135	.180	-.095	-.186
		KB	.078	1.000	-.042	.116	.099	.164	-.090
		LnKI	-.129	-.042	1.000	.125	-.018	.262	.008
		LnLEV	.135	.116	.125	1.000	-.029	.069	.145
		LnSK	.180	.099	-.018	-.029	1.000	.171	.273
		LnKA	-.095	.164	.262	.069	.171	1.000	-.086
		AUD	-.186	-.090	.008	.145	.273	-.086	1.000
	Covariances	LnSIZE	1.781	.029	-.109	.035	.017	-.087	-.074
		KB	.029	.078	-.007	.006	.002	.031	-.007
		LnKI	-.109	-.007	.400	.015	-.001	.114	.001
		LnLEV	.035	.006	.015	.037	.000	.009	.008
		LnSK	.017	.002	-.001	.000	.005	.008	.006
		LnKA	-.087	.031	.114	.009	.008	.473	-.017
		AUD	-.074	-.007	.001	.008	.006	-.017	.088

a. Dependent Variable: LnDA

Table 12:- Independent Inter Variable Correlation (Source: processed secondary data, 2018)

- *Heteroscedasticity Test*

Based on the scatterplots graph on graph 4 it can be seen that there are no clear patterns, and the points spread above and below the zero on the Y axis.



Graph 4:- Scatterplot Heteroscedasticity Test (Source: processed secondary data, 2018)

Table 13 shows that none of the independent variables significantly affects the dependent variable Ut Absolute Value (AbsUt). This can be seen from the probability of significance above the 5% confidence level. So it can be concluded that in the regression model does not contain heteroscedasticity or in other words there is homocedasticity.

Coefficients(a)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-1.307	2.140		-.611	.544		
	LnSK	-.004	.039	-.014	-.106	.916	.794	1.259
	LnKI	-.206	.342	-.072	-.601	.550	.896	1.115
	LnKA	.273	.372	.091	.733	.466	.836	1.196
	AUD	.241	.160	.193	1.507	.137	.788	1.269
	KB	.327	.151	.215	1.969	.054	.932	1.072
	LnLEV	.059	.104	.069	.570	.571	.891	1.122
	LnSIZE	.888	.721	.153	1.232	.223	.831	1.203

a. Dependent Variable: AbsDA

Table 13:- Glejser test (Source: processed secondary data, 2018)

- *Autocorrelation Test*

From testing using Durbin-Watson, the following results are obtained:

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.446[a]	.199	.212	1.11983	2.049

a. Predictors: (Constant), LnSIZE, KB, LnKI, LnLEV, LnSK, LnKA, AUD

b. Dependent Variable: LnDA

Table 14:- Durbin-Watson Test Results (Source: processed secondary data, 2018)

✓ *Test F Statistics*

This test will see whether the independent variables together (simultaneous) will affect the dependent variable. Based on table 15, it can be seen that the results of the ANOVA test or F test can be obtained by calculating the F value of 2,302 with a probability of 0.037. Because the probability is smaller than 0.05, the regression model can be used to predict earnings management or it can be said that the variable audit committee existence, the proportion of the board of commissioners, KAP size, bonus compensation, ownership structure, leverage and company size jointly influence management profit.

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.207	7	2.887	2.302	.037[a]
	Residual	81.511	65	1.254		
	Total	101.717	72			

a. Predictors: (Constant), LnSIZE, KB, LnKI, LnLEV, LnSK, LnKA, AUD

b. Dependent Variable: LnDA

Table 15:- F Statistic Test Results (Source: processed secondary data, 2018)

✓ *Test Statistics t*

From the results of the t statistical test in table 16 ownership structure variables have a significance probability of 0.041, the independent board has a probability of 0.048, the audit committee variable has a significance probability of 0.690, the KAP size variable has a probability of 0.440, the bonus compensation variable has a probability of 0.023 , the leverage variable has a probability of 0.043 and the size variable of the company has a probability of 0.049. From the test, it can be seen that there are 5 independent variables, namely the ownership structure, independent commissioner, bonus compensation, leverage and company size which have a significance level below 0.05. While the other 2 variables, namely the audit committee and KAP size have a significance level above 0.05.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.271	3.959		1.079	.285		
	LnSK	-.142	.071	-.248	-2.148	.041	.794	1.259
	LnKI	-.264	.633	-.225	-2.024	.048	.896	1.115
	LnKA	-.276	.688	-.049	-.401	.690	.836	1.196
	AUD	-.230	.296	-.097	-.777	.440	.788	1.269
	KB	-.651	.279	-.268	-2.334	.023	.932	1.072
	LnLEV	.279	.193	.237	2.104	.043	.891	1.122
	LnSIZE	-2.562	1.335	-.221	-2.019	.049	.831	1.203

a. Dependent Variable: LnDA

Table 16:- Statistical Test Results t (Source: processed secondary data, 2018)

Based on the results of the above analysis, it can be concluded that the ownership structure, independent commissioner, bonus compensation, company leverage and size affect earnings management or accept the proposed hypothesis, while the audit committee variable and KAP size do not affect earnings management or reject the proposed hypothesis.

➢ *Hypothesis Testing*

The first hypothesis proposed in this study is:

- H1: Ownership structure has a significant negative effect on earnings management. Table 4.16 shows a coefficient of -0.242 with a significance level amounting to 0.041. Because the probability is smaller than α = 0.05, thus the results of this study support the proposed hypothesis 1. It can be concluded that the ownership structure has a negative and significant effect on earnings management. The second hypothesis proposed in this study is:
- H2: The greater proportion of independent commissioners will have a significant negative effect on earnings management. Table 4.16 shows a coefficient of -0.264 with a significance level of 0.048 smaller than α = 0.05. Thus the results of this study support the proposed hypothesis 2. It can be concluded that the proportion of board of commissioners has a negative and significant effect on earnings management. The third hypothesis proposed in this study is:
- H3: The existence of an audit committee has a significant negative effect on earnings management. Table 4.16 shows the coefficient of -0.276 with a significance level of 0.690 far above α = 0.05, so the results of this study do not support the proposed hypothesis 3. It can be concluded that the existence of an audit committee has no effect significant to earnings management. The fourth hypothesis proposed in this study is:
- H4: KAP size has a significant negative effect on earnings management. Table 4.16 shows a coefficient of -0.230 with a significance level of 0.440 far above α = 0.05. Thus the results of this study do not support the proposed hypothesis 4. It can be concluded that the size of KAP does not significantly influence earnings management. The fifth hypothesis proposed in this study is:
- H5: Bonus compensation has a positive significant effect on earnings management. Table 4.16 shows the coefficient of -0.651 with a significance level of 0.023 far below α = 0.05. Thus the results of this study support the proposed hypothesis 5. It can be concluded that bonus compensation has a significant effect on earnings management.

V. CONCLUSION

Based on the results of the study during the 2015-2017 observation period in manufacturing companies listed on the Indonesia Stock Exchange there were 75 companies that made income-increasing discretionary accruals (increased reported earnings) and 66 companies that made income-decreasing accrual discretionary (lower reported earnings) .

The test results on 100 samples of manufacturing companies listed on the Stock Exchange during the period 2015-2017 showed that the ownership structure, the

proportion of independent commissioners and bonus compensation had a significant influence on earnings management. While the audit committee and KAP size do not have a significant influence on earnings management.

LIMITATIONS AND SUGGESTIONS

- This Study has Limitations Including:
- This study does not consider other events that have economic consequences.
- The sample in this study is still relatively small with only using as many as 47 companies with a total observation of 100, this is because a lot of data is not completely available so it might be less representative, which in turn causes the research results to have a limited level of generalization.
- The limited period of observation of this study, that is, during the period 2015-2017, can cause the results of this study to not be generalized.
- The variable audit committee only uses one characteristic, namely the number of audit committees without including other characteristics such as the competence of audit members, educational background, experience, and so on.

- *Some of the suggestions used in subsequent research are:*
- For researchers who are interested in studying further in the same field can extend the observation period and add samples of other types of industry research.
- For the next researcher can enter variables that have not been studied in this study, which can be used to improve research.
- Measurement of audit committee variables by using other characteristics may add references to future research.

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