THE EFFECT OF ACCRUAL EARNINGS, CORPORATE GOVERNANCE, AND FIRM SIZE ON EARNINGS PERSISTENCE OF 100 COMPASS INDEX COMPANIES LISTED 2015-2016

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ABSTRACT
This study aims to examine the effect of accrual earnings management, corporate governance proxies through independent commissioners, audit committees, and firm size on earnings persistence. The analytical method used is multiple linear regression using secondary data from 100 compass index companies listed in Indonesia Stock Exchange in 2015 - 2016. Based on the test results found that earnings management affect earnings persistence, while corporate governance is proxied through independent commissioners and audit committee have no effect on earnings persistence. Likewise, firm size does not affect earnings persistence. Companies that make earnings management will have a more persistent earnings compared to companies that do not perform earnings management. This research supports agency theory which explains that earnings management is done by signaling motivation.

Keywords: earning management, independent commissioners, audit committees, firm size, earnings persistence

I. INTRODUCTION

Most investors assume that high earnings will reflect good company conditions. However, they do not know whether the information contained in such earnings has a high quality. Andreani (2014) said that earnings that do not show actual information about the company's performance can mislead the users of the financial statements so that it will impact on the quality of company. Therefore, the quality of earnings in a company becomes the center of attention for interested parties, especially investors. Quality of earnings are earnings that can reflect the continuation of future earnings, Djamaludin (2008) on Andreani (2014).

One component of quality of earnings is earnings persistence. Persistence of accounting earnings is a revision in expected future accounting earnings implied by earnings innovation in the current year, Penman and Zhang (2002). Earnings persistence is often used as a measure of quality of earnings, since earnings persistence is one of the predictive value elements of profit in a relevant character in which information should be able to make a difference in decision making by helping users to predict from the past, present and future Linawati (2017).

So far, accounting profits still attract the attention of investors as a basis for decision-making, such as decision-making to buy or sell shares of a company, dividends and so on. Therefore, the profit that needs to be noticed by the candidates and investors is not only a high profit, but also a persistent earnings, I Made (2017).

According to Scott (2000) in Pedi (2014), there are two corporate management objectives for the practice of earnings management. First, the management strives to increase the level of earnings transparency in communicating the company's internal information, in which case the earnings management is efficient. Whereas the second is the management of the company trying to maximize earnings for itself, in this case earnings management is opportunistic. The earnings management have an impact on the usefulness of earnings information in decision-making stakeholders.

Management presents financial information in particular earnings reports are expected to provide a signal of prosperity to investors or shareholders. The added value made investors in assessing an enterprise that can increase investor confidence in a company is corporate governance. Corporate governance can be used as a measure of whether the company is being transparent or not particular samples of creditors and investors. With good corporate governance, it is expected that the quality of financial statements will be well valued by investors. With the existence of corporate governance will strengthen the debt relationship to earnings persistence. Hutchinson (2009) in Fitria (2014) explains that the mechanisms used by creditors and corporate shareholders in managing managers are corporate governance (CG). In this case the role of board of commissioners (directors/BOD) and shareholders can make a quality of earnings by influencing the management in preparing financial statements.

Linawati (2017) said the cash flow statement is expected to affect earnings persistence. Cash flow is
part of the company's financial statements that can be used as a reference for investors to assess the company's development and maintain the level of corporate liquidity. Cash flow data is a better financial indicator because cash flow is relatively more difficult to manipulate, the higher the operating cash flow to net income ratio, the higher quality of earnings. Recognition of accruals in the financial statements is thought to affect earnings persistence. The more accruals mean more estimates and estimation errors, and therefore the lower earnings persistence. The level of debt also affects earnings persistence. The higher the working capital funded by the debt, the more profit will be increased.

Research Problems Formulations
The problems in this study is 1) does the Accrual Earnings Management affect earnings persistence? 2) does the independent commissioner affect earnings persistence? 3) does audit committee influence the earnings persistence? And 4) Does firm size has an effect on earnings persistence?

Research Objectives and Contributions
The purpose of this study to determine whether earnings management, independent commissioner, audit committee has an influence on company’s earnings persistence. Contributions of this research is expected to help investors make decisions and considerations to invest and provide rationale for creditors.

II. LITERATURE REVIEW, CONCEPTUAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT
A. Literature Review
1. Agency Theory
   Good Corporate Governance (GCG) is a key company's long-term success in the global world facing competition especially for companies that go public. The existence of general guidelines issued by the National Committee on Governance Policy (known as KNKG) supports the implementation of Corporate Governance in companies listed on the Indonesia Stock Exchange. In the agency theory discusses the relationship between management and shareholders, where the principal is a shareholder and agent is management (Belkaoui, 2006). This relationship raises the tendency of difference of interest, because in principle man will try to maximize the utility for his own interests (Hadiprajitno, 2013) on Marisatusholekha (2015).

   The agency theory's view that there is a separation between the agent and the principal that results in potential conflict may affect the reported quality of earnings. An independent board of commissioners is one of most important parts of Good Corporate Governance (GCG) implementation. Afid (2015) states that independent commissioners are more effective in monitoring management. This means that the existence of independent commissioners will provide oversight to the company's management to achieve the company's goal is to earn persistent earnings. Furthermore, the audit committee was formed with the aim of helping the commissioners to meet the responsibility to provide overall supervision. This means that the audit committee has the same role as the board of commissioners (directors/BOD) that is to supervise performance of the company's management in achieving the company's goal, which is to increase profits from period to period, Afid (2015).

2. Earning Management
   Copeland (1968) on wiwik (2005) defines as earnings management "same ability to Increase or Decrease reported net income at will", this means that earnings management businesses include the management to maximize or minimize profit including earnings equipment in accordance with the wishes of management. Earnings management is done to affect investor perception, especially to influence the decision to buy the company's shares.

   If associated with an increase in corporate value, when there is information asymmetry, managers can signal the condition of the company to investors in order to maximize the value of the company's stock. The given signal can be done through the disclosure of accounting information. However, the tendency of managers to seek their own advantage (moral hazard) and high levels of information asymmetry, plus certain motives, increase the likelihood of management taking advantage of accruals to present profits that correspond to management interests that may be inconsistent with the interests of the principal, such as owner, shareholder, or creditor, Nila (2012).

   In signaling motivation, Sloan (1996) says management presents financial information (especially profit) which is expected to give a signal of prosperity to shareholders. The earnings report that can signal the prosperity is a relatively stable and sustainable earnings. Sustainable earnings are profits that have high quality and as an indicator of future earnings, here in after referred to as earnings persistence.
To determine whether or not there is earnings management, Wiwik (2005) disclose the measurement of accruals is a very important thing to note. Total accrual is the difference between the profit and cash flows arising from operating activities. Total accruals are divided into two parts: (1) a reasonable part in the process of preparing financial statements and (2) the accruals that are manipulations of accounting data called abnormal accruals.

3. Firm Size

According to Basyaib (2007) to Rina (2015), firm size is "a scale which can be classified by the size of firm in various ways, among others by the size of sales, total assets and market capitalization". Firm size is expressed by total assets, if the greater the total assets of firm, the larger firm size.

Firm with large assets show that the company is relatively more stable and able to generate greater profits compared to firm with fewer or lower total assets.

4. Earnings Persistence

Earnings is an indicator of the success of a business entity, because the higher earnings obtained the higher success achieved. In order for reported earnings to be high, managers should reduce costs (including taxes and fees for disclosing information). Though additional information is required by creditors and shareholders. The presence of a firm manager in charge of the firm for decision-making as an agent has an interest in maximizing its earnings with the policies issued.

Earnings can be divided into two groups: sustainable earnings (earnings persistent or core earnings) and unusual earnings or transitory earnings. Earning persistent is a earnings that has the ability as an indicator of future earnings generated by the company repetitive (long term) (sustainable). Conversely, unusual earnings or transitory earnings are temporarily earned profits and can not be repeatedly generated, so they can not be used as future earnings indicators (Penman and Zhang, 1999) in Nila (2012). Sustainability earnings persistence (sustainable) is expressed as earnings that has high quality, whereas if the earnings is unusual, earnings are stated to have poor quality.

Opportunistic earnings management is associated with earnings aggressiveness that results in a blurring of earnings information. Accrual policies that generate earnings blurring will reduce the quality of earnings and lead to low earnings persistence (Sunarto, 2010). Thus, the higher earnings management performed by the firm, the lower the informativeness of earnings. Firm with high earnings management have less informative accounting earnings compared to firms with low earnings management.

B. Conceptual Framework and Hypothesis Development

1. Effect of Earnings management on Earnings Persistence

The discretionary accrual policy undertaken by management has two consequences. First, When the policy brings to earnings information, then the policy will improve the quality of earnings, so that earnings are more persistent. Secondly, if the policy does not bring the information of earnings, then the policy will reduce the quality of earnings, so the earnings become opaque. Earnings opacity is associated with earnings aggressiveness and earnings mootings. Thus, the higher earnings management performed by the firm, the lower the informative earnings.

H1: Accrual earnings management has a negative effect on earnings persistence

2. Effect of Independent Commissioners on earnings persistence

An independent board of commissioners is one of the most important parts of the implementation of Good Corporate Governance (GCG). Khancel (2007) in Khafid (2012) states that independent commissioners are more effective in monitoring management. This means that the existence of independent commissioners will provide oversight to the company's management to achieve the company's goal is to earnings persistent. an increase in the number of independent board of commissioners will strengthen the quality of the company's earnings, in terms of earnings persistence.

H2: Independent Commissioners has a positive effect on earnings persistence

3. Effect of audit committees on earnings persistence

The audit committee was formed with the aim of helping the commissioners to meet the responsibility to provide overall supervision. This means that the audit committee has the same role as the board of commissioners that is to supervise the performance of the company's management in achieving the company's goal, which is to increase the profit from period to period (earnings persistence)

H3: audit committee has a positive effect on earnings persistence

4. Effect of firm size on earnings persistence

Firm size is a value that shows the size of firm. For a stable firm usually the level of certainty to earn very high earnings. Conversely, for small firm, the probable profit is also not stable because the level of
earnings certainty is lower.

**H4: Firm size has a positive effect on earnings persistence**

### III. RESEARCH METHOD

#### A. Research Design

This study uses hypothesis testing which aims to examine the effect of earnings Management (X1) Independent Commissioner (X2), Audit Committee (X3) and firm size (X4) to earnings persistence (Y). This type of research is causality study. The unit of analysis is the compass 100 index companies listed on the Indonesia Stock Exchange (IDX) in the form of corporate financial report data 2015-2016 while the time horizon used is panel studies is a combination of time series and cross-section.

#### B. Data Collection Techniques

The data used in this research is secondary data obtained from electronic media. The use of secondary data provides a guarantee of the absence of data manipulation that may affect the research results. The data used in this study comes from the annual financial statements of manufacturing companies during the period 2015-2016, which can be accessed directly through the Indonesia Stock Exchange website (www.idx.go.id) or the site of each research sample company. Other supporting resources are needed journals and other sources that can be used in this research.

#### C. Population and Sample Research

The study population is a 100 compass index, company listing on the Indonesia Stock Exchange with a research period of two years from 2015 to 2016. The target population must meet the criteria of listed companies on the 100th consecutive compass in 2015 - 2016.

<table>
<thead>
<tr>
<th>Information</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Company’s 100 compass indexes, years 2015-2016: 100 x 2 yr period</td>
<td>200 data</td>
</tr>
<tr>
<td>The company's 100 compass indexes registered consecutive year 2015-2016: 54 x 2 yr period</td>
<td>108 data</td>
</tr>
<tr>
<td>State Enterprise: 19 x 2 th period</td>
<td>(38) data</td>
</tr>
<tr>
<td><strong>Number of samples taken: 35 companies x 2 yr period</strong></td>
<td><strong>70 data</strong></td>
</tr>
</tbody>
</table>

Source: [www.idx.co.id](http://www.idx.co.id)

#### D. Operational Variables

1. **Earnings Management (X1)**

   Earnings management is the accounting policy or actions chosen by managers to achieve some specific goals in earnings reporting. The measurement scale is the ratio.

   \[
   \text{Earnings Management (EM)} = \frac{\text{Accrual working capital} (t)}{\text{sales period} (t)}
   \]

   \[
   \text{Accrual working capital} = \Delta AL - \Delta HL - \Delta cash
   \]

   Note:

   - \(\Delta AL\) = changes in current assets in period \(t\)
   - \(\Delta HL\) = changes in current liabilities in period \(t\)
   - \(\Delta cash\) = changes in cash and cash equivalent in period \(t\)

   Source: wiwik (2015)

2. **Independent Commissioner (X2)**

   Proportion of independent board of commissioners. Measured by the percentage of the total number of independent board of commissioners divided by total board of commissioner.

   \[
   DKI = \frac{\text{total independent board of commissioners}}{\text{total board of commissioners}}
   \]

3. **Audit Committee (X3)**

   Audit Committee is a committee formed by the board of commissioners in order to assist in carrying out its duties and functions.

   Number of committees = number of audit committee members of the company.

4. **Firm Size (X4)**
Natural logarithm of the total value of the firm's assets, whether current assets or fixed assets owned by
firm, that is \( \ln \text{SIZE} \).

5. Earnings Persistence (Y)

Another approach in measuring earnings persistence is the quality of accruals. Accrual quality is
measured by regressing the previous year's cash flow, current year's cash flow, and next year's cash flow;
where cash flow is the difference between earnings and accrual. The earnings persistence based on
accrual quality is formulated as follows:

\[
\text{TCA}_t = \left( (\Delta \text{CA}/\text{Asset}_t) - (\Delta \text{CL}/\text{Asset}_t) - (\Delta \text{Cash}/\text{Asset}_t) + (\Delta \text{STD}/\text{Asset}_t) \right)
\]

- \( \text{TCA}_t \): Total Current Accrual period \( t \);
- \( \text{Asset}_t \): Total Asset period \( t \);
- \( \Delta \text{CA} \): change in Current Assets (Current Asset \( _t \) – Current Asset \( _{t-1} \));
- \( \Delta \text{CL} \): change in Current Liabilities (CL \( _t \) – CL \( _{t-1} \));
- \( \Delta \text{Cash} \): change in Cash (Cash \( _t \) – Cash \( _{t-1} \));
- \( \Delta \text{STD} \): change in Short Term Debt (STD \( _t \) – STD \( _{t-1} \))

\[
\frac{\text{TCA}_t}{\text{Asset}_{t-1}} = \alpha + \beta_1 \frac{\text{CFO}_t}{\text{Asset}_{t-1}} + \beta_2 \frac{\text{CFO}_t}{\text{Asset}_t} + \varepsilon
\]

CFO = NIBE – Total Akrual

Source: Dechow dan Dechlev (2002)

E. Analysis method

Data analysis method used is multiple linear regression analysis. Multiple regression analysis is a statistical
technique used to predict the variation of dependent variables by including more than one independent
variable to the dependent variable simultaneously (source). In analyzing the data, researchers used SPSS 22.

IV. RESULT AND DISCUSSION

A. Result

1. Descriptive Statistics Test

<table>
<thead>
<tr>
<th>Table 2 Descriptive Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earning Persistence 70 -4.46745 2.23043 .0000000 .98540068</td>
</tr>
<tr>
<td>Earning Management 70 -.64611 2.07850 .0482274 .31373510</td>
</tr>
<tr>
<td>Independent Commissioners 70 .20 .83 .4409 .12984</td>
</tr>
<tr>
<td>Audit Committee 70 3.00 4.00 3.0571 .23379</td>
</tr>
<tr>
<td>Firm Size 70 13.98 30.35 20.3931 5.42280</td>
</tr>
<tr>
<td>Valid N (listwise) 70</td>
</tr>
</tbody>
</table>

1. Classic Assumption Test

a. Normality Test

<table>
<thead>
<tr>
<th>Table 3 Normality tes result</th>
</tr>
</thead>
<tbody>
<tr>
<td>N 70</td>
</tr>
<tr>
<td>Normal Parameters Mean .0000000</td>
</tr>
<tr>
<td>Std. Deviation .79420338</td>
</tr>
<tr>
<td>Most Extreme Differences Absolute .094</td>
</tr>
<tr>
<td>Positive .094</td>
</tr>
<tr>
<td>Negative -.091</td>
</tr>
<tr>
<td>Test Statistic .094</td>
</tr>
<tr>
<td>Asymp. Sig (2-tailed) .0014</td>
</tr>
</tbody>
</table>

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.
Based on Table 3 above, the Kolmogorov-Smirnov test of the siginifikacin (K-S) value is 0.094, while the Asymp.Sig value. (2-tailed) of 0.200. These results indicate that the regression equation model is normally distributed is Sig value. (2-tailed) of 0.200 is greater than the alpha value of 0.05.

b. Multicollinearity Test

Table 4 Multicolinearity Test Result

<table>
<thead>
<tr>
<th>Coefficients*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Model</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
</tr>
<tr>
<td>ML</td>
</tr>
<tr>
<td>KINDP</td>
</tr>
<tr>
<td>KAUDT</td>
</tr>
<tr>
<td>SIZE</td>
</tr>
</tbody>
</table>

Data proces: SPSS 22.00

Based on the test results shown in Table 4, the tolerance value of the independent variable is more than 10% or 0.1 where the tolerance value of earnings Management is 0.968, the Independent Commissioner is 0.996, the Audit Committee is 0.942 and firm Size is 0.967. The VIF value is less than 10 where the VIF value of the Earnings Management is 1,033, the Independent Commissioner is 1.004, the Audit Committee is 1,062 and the Company Size is 1.034. It was concluded that there was no multicolinearity between the independent variables in this study.

c. Heteroscedasticity Test

Table 5 Heteroscedasticity Test

<table>
<thead>
<tr>
<th>Coefficients*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Model</strong></td>
</tr>
<tr>
<td>(Constant)</td>
</tr>
<tr>
<td>Earning</td>
</tr>
<tr>
<td>independent</td>
</tr>
<tr>
<td>commissioners</td>
</tr>
<tr>
<td>audit committee</td>
</tr>
<tr>
<td>Firm Size</td>
</tr>
</tbody>
</table>

Based on the test results shown in Table 5, the level of significance is above 0.05 where the value of Sig. earnings Management of 0.898, Independent Commissioner of 0.106, Audit Committee of 0.186 and Firm Size of 0.660. Based on the above table it can be said that in this regression model there is no heteroskedastisitas.

d. Autocorrelation Test

Table 6 Autocorrelation test

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Model</strong></td>
</tr>
<tr>
<td>(Constant)</td>
</tr>
</tbody>
</table>

Process data: SPSS 22.00

Based on Table 6 the variables studied have DW value of 1.819 with the amount of data (n) = 70 and the number of independent variables (k) = 4 and α = 5% obtained the numbers dl = 1.494 and du = 1.735. Since DW of 1.819 lies between the upper (du) and (4-du) boundaries with a value of 2.265
boundary, it can be concluded in this regression model there is no autocorrelation.

2. Hypothesis test
   e. Determination Test ($R^2$)

Table 7 Determination Test Result

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.592*</td>
<td>.350</td>
<td>.310</td>
<td>.81827560</td>
<td>1.819</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Firm Size, Earnings Management, Independent Commissioner, Audit Committee

Table 7 shows that the value of Adjusted $R^2$ is 0.310. This means that the effect of Earnings Management, Independent Commissioner, Audit Committee and Company Size to the profit persistence is 31.0%, while the remaining 69.0% is influenced by other factors.

f. Simultaneous Test (F)

Table 8 Simultaneous Test F

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>23.478</td>
<td>4</td>
<td>5.869</td>
<td>8.766</td>
<td>.000*</td>
</tr>
<tr>
<td>Residual</td>
<td>43.522</td>
<td>65</td>
<td>.670</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>67.000</td>
<td>69</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Earning Persistence
b. Predictors: (Constant), Firm Size, Earnings Management, Independent Commissioner, Audit Committee

Based on the results of statistical tests F in Table 8 above can be seen that together independent variables have a significant effect on the dependent variable. This can be proven from the value of F arithmetic of 8.766 and F table value of 2.5 which means F arithmetic > F table, with a significant level of 0.000 smaller than the significant level of 0.05.

g. Parsial Test (t)

Table 9 Parsial Test (t-test)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>-2.321</td>
<td>1.484</td>
<td>-1.565</td>
</tr>
<tr>
<td></td>
<td>Earning Management</td>
<td>-1.715</td>
<td>.319</td>
<td>-.546</td>
</tr>
<tr>
<td></td>
<td>independent commissioner</td>
<td>.766</td>
<td>.760</td>
<td>.101</td>
</tr>
<tr>
<td></td>
<td>audit committee</td>
<td>.477</td>
<td>.434</td>
<td>.113</td>
</tr>
<tr>
<td></td>
<td>Firm Size</td>
<td>.030</td>
<td>.018</td>
<td>.164</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Earning Persistence

Based on Table 9 above shows the value of t arithmetic for each independent variable. From the results of statistical tests t presented in Table 9, it can be seen that earnings Management variable has a significant level of 0.000 smaller than 0.05 or means earnings management significant effect on earnings persistence, beta negative value signifies the direction of earnings management negatively affect earnings persistence, it indicates that hypothesis 1 is accepted. While for independent
commissioner variables, audit committee and firm size have significance level greater than 0.05 or mean those three variables have no effect to earnings persistence. So it can be said that hypotheses 2, 3 and 4 are not accepted.

3. Multiple Regression Analysis

\[ Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \epsilon \]

Earnings persistence = -2.231-1.715ML+0.766KINDP+0.477KAUDT+0.030SIZE+ε

From the multiple linear regression equation above, it can be interpreted as follows:

a. This constant value indicates that if there is no earning management variable, independent commissioner, audit committee and firm size, (X1 = 0, X2 = 0, X3 = 0, and X4 = 0), the Company's earnings persistence is -2.231.

b. The regression coefficient of earnings management shows that each variable of earnings Management increases by one unit, then earnings Persistence will decrease by 1.715 assuming other independent variables are considered to be fixed or equal to zero.

c. The regression coefficient of independent commissioner shows that each independent commissioner variable increases by one unit, the earnings Persistence will increase by 0.766 assuming that the other independent variable is considered to be fixed or equal to zero.

d. The regression coefficient of audit committee indicates that each audit committee variable increases by one unit, the earnings Persistence will increase by 0.477 assuming that the other independent variables are considered to be fixed or equal to zero.

e. The regression coefficient of firm size indicates that each variable of firm size increases by one unit, the earnings Persistence will increase by 0.030 assuming that the other independent variable is considered to be fixed or equal to zero.

B. DISCUSSION

1. Effect of Earnings Management on Earnings Persistence

The analysis results of earnings management affect to earnings persistence on the 100 year index company 2015-2016. Negative numbers obtained can be said that the smaller the manager in making earnings management will be the greater the effect on earnings persistence. In this case the manager is motivated to present the number of earnings that can reflect the company's performance in the future, so that parties with an interest in the company are able to take better decisions in assessing the company. The elements undertaken in the accrual earnings management act are proven to be signaling, but company management is unlikely to rely on the accrual earnings management alone to manage earnings (Roychowdhury, 2006). The discretionary accrual policy undertaken by management has two consequences. First, if the policy brings the information of earnings, then the policy will improve the quality of earnings, so the earnings are more persistent. Secondly, if the policy does not bring the information of earnings, then the policy will reduce the quality of earnings, so the earnings becomes opaque. Earnings opacity is associated with earnings aggressiveness and earnings mottings. Thus, the higher earnings management performed by the firm, the lower the informative earnings. This study result consistent with Nila (2012), Sales manipulation leads to managers behavior who seek to increase sales during the period to achieve profit targets. Achieving profit targets is positively related to future company performance (Gunny, 2005). Thus, the company's sales manipulation can help the company's management to achieve profit targets that lead to earnings persistence. Likewise, delays in cash discretion expenditures such as research & development investment delays whose benefits are uncertain will add value to the company in the future.

2. Effect of independent Commissioner on earnings persistence

The Analysis results are independent commissioners have no effect on earnings persistence. It can be said that this condition is caused in response to the profit generated by a company, the investor does not pay attention to composition of independent commissioner in the company. Although the presence of an independent commissioner helps in overseeing company’s performance and safeguarding the interests of the capital owners in a professional manner, the investor does not pay attention to the composition of number of independent commissioners within the company structure. The results are consistent with research conducted by Marisatusholekha (2015)

3. Effect of Audit Committee on earnings persistence

The Analysis results are the number of audit committee has no effect on earnings persistence. It can be argued that the lack of effect indicates that the size of the audit committee does not affect the earnings
manipulation of the company's management. Such results do not guarantee the size of the audit committee can monitor to detect the disruption in the earnings information, but rather the integrity of the audit committee members themselves to perform their duties as an effective oversight function, it is expected that the number of audit committees that are implied is simply to comply with government regulation. this results contradict research Aphids (2015) who say their audit committee's oversight by making managers more likely to improve their performance than to manipulate earnings.

4. **Effect of Firm Size on Earnings Persistence**

The Analysis results are firm size has no effect on earnings persistence. It can be said to support the stewardship theory, where in stewardship theory, managers will behave according to mutual interests, so that large or small a company will not affect the decline or increase in earnings corporate. This study is in line with the results of research conducted Afid (2015) that large companies will reduce the political costs by using accounting options that can reduce earnings. Thus the resulting profit tends to be small and not persistent and does not reflect the actual quality of earnings generated by the company.

**V. CONCLUSION AND SUGGESTION**

**A. CONCLUSION**

Based on data analysis results, it can be concluded as follows:

1. Earnings management affect earnings persistence means earnings management tend to be done for efficiency purposes. The Company undertakes earnings management to convey private information about future prospects to stakeholders as well as a signal of the credibility of the company's management. This behavior supports agency theory and signaling motivation by management.

2. Independent commissioners have no effect on earnings persistence, meaning that the existence of independent commissioners on the company structure does not become a benchmark by investors in viewing the company's profit and work function independent commissioner just as a supervisor of the company's performance is not in affect the company's profit value.

3. The audit committee shall have no effect on the earnings persistence that the audit committee can not monitor to detect a disruption in earnings information, but rather the integrity of the audit committee member itself to perform its duties professionally.

4. The Firm size does not affect earnings persistence, meaning that large or small of a firm will not affect the decline or increase in corporate profits.

**B. SUGGESTION**

The researcher give some suggestion that expected in subsequent research can add some other factor which may affect earnings persistence since the variable studied in this research only able to explain 31% while the rest can from other variable. Because in this research proxy of earnings management used is earnings accrual management, expected in subsequent research earnings management variable can be added with earnings management real. In addition, other corporate governance proxies can be used as calculations in the independent variables in subsequent research.

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