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Effect of Corporate Governance of Earnings Management in Banking Companies Listed in Indonesia Stock Exchange) 2010-2012

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ABSTRACT
The purpose of this study was to Determine the good corporate governance mechanisms effects as measured by managerial ownership, t he proportion of the board of Commissioners, and the use ofexternal audit firm size on earnings management. This Sampling using the purposive sampling to Obtain a sample of 28 banking companies listed on the Indonesia Stock Exchange in 2010 to 2012.The analysis method in this study using multiple linear regression, and Modified Jones Model 1995 is used in Determining the value of discretionary accruals. Were processed using SPSS 17.0 for Windows.The results Showed that the independent variables are not shown to e ffect the reduction in earnings management practices. This is Because The implementation of good corporate governance has not been fully is implemented. In addition, the application of corporate governance is still a new thing I n Indonesia and the effect of the application of the new corporate governance can Be Felt in the long term.
Keyword: Corporate Governance, Earnings Management, Modified Jones Model

1. Introduction

1.1 Background

Beginning with the closure of 17 banks in November 1997 that led to a loss of public confidence in the banks so that the banking crisis. The crisis led to the drop in the performance of the national banking system. To overcome this problem, the Government and Bank Indonesia did some policies include strengthening the resilience of the banking system programs, namely the application ofcorporate governance as a way to give birth to a strong banking industry and apply the principles of corporate governance: transparency, accountability, responsibility, independence and fairness.

In line with the implementation of corporate governance, Bank Indonesia also assess banks' performance through financial statements. The main parameters in the financial statements is the amount of profit has been obtained. With the assessment of financial performance, it can motivate a financial manager to perform earnings management when profit in that period did not meet the target of achieving profit.

Earnings management is the management actions to choose accounting policies of a particular standard with the aim to maximize welfare, the value of the company can even benefit themselves.This is inconsistent with the principles of good corporate governance which should financial performance reported in accordance with the actual conditions.

1.2 Research Problem

Based on the background that has been described, it is obtained a basis for the focus of this research activities towards the formulation of a more fundamental problem is clear, namely "How to influence the implementation of Corporate Governance on Earnings Management in banking companies listed in Indonesia Stock Exchange (IDX) 2010-2012 ? "

1.3 Research Objectives

The study aim of this research is to know the influence of corporate governance which is proxied by managerial ownership, proportion of commissioners, external audit, and the size of the company on Earnings Management.

1.4Contribution to Research

This study is expected to contribute to the theoretical and practical aspects;

1. Theoretical Contributions

The results of this study are expected to provide empirical as an input and additional information for companies regarding the importance of the application of corporate governance and disclosure and in consideration of the potential investors in making investment decisions on companies that have implemented good corporate governance.

2. Practical Contributions

As a reference for the further research in developing corporate disclosure and Earnings Management Governace wide

2. Theoretical Framework

2.1 Corporate Governance

According to the FAQ CGPI (2012: 2), C orporate governance (CG) is a series of mechanisms that direct and control of a company that runs its operations in accordance with the expectations of stakeholders (stakeholders).

As a set of systems that regulate and control the company to create value for stakeholders. This is because corporate governance can encourage the formation of a clean working pattern management, transparent, and professional.

According Teak Satria (2012: 22) corporate governance can be measured through four (4) proxy as follows:

1. Managerial Ownership

The purpose of corporate governance is to create added value for all stakeholders. If Corporate Governance in managerial ownership, can run well, it can improve the success of the business and corporate accountability, then the possibility of Earnings Management to provide personal gain will be very small.

2. The proportion of BOC

The role of the board of commissioners will give effect to the Earnings Management for balancing the interests of commissioners oversee the management so manajaemen income will not happen. Commissioners can also give effect to the performance of the company because if the commissioners carry out their duties properly, it can increase the confidence of investors that they would receive a return on the funds they have invested.

3. External Audit

The role of the external audit will also give effect to the Earnings Management for external audit also serves to ensure the financial statements are free of material misstatement that is not detrimental to the parties concerned and improve the quality of financial statements in Earnings Management is not going to happen.

4. Company Size

The size of the company will also be the effect of the size of Earnings Management, due to the size of the company gives an overview of how much control and supervision carried out in the company to create and maintain public confidence in the financial statements issued information.

2.2 Earnings Management

According Dedhy, et al. In a book entitled Creative Acconting (2011: 19) Earning Management or can be called with Creative Accounting is a business entity activity utilizing engineering and accounting policies in order to obtain the desired results.

In the journal Erdianto R. (2013: 190), Earnings Management can not be categorized as cheating as far as what he did was within the scope of accounting principles, Sulistyanto (2008). While Widodo (2005), Earnings Management is the intervention or interference in the process of preparation of financial statements in order to maximize personal gain. The definition implies that earnings management is opportunistic behavior managers to maximize their utility. The manager did Earnings Management, when managers shift manager profit increase earnings periods will come to a period now and when the manager lowered earnings by sliding the current period earnings to later periods.

The factors that drive the actions of managers in conducting Earnings Management in Dedhy book, Yeni and Liza (2011: 30) is a bonus motivation, motivation debt, tax motivation, motivation stock sales, turnover motivation of directors, as well as politically motivated. While the pattern is done in earnings management technique that is taking a bath, income minimization, income maximizationand income smoothing. And earnings management techniques that are usually encountered is the change of accounting method, making accounting estimates, change the period of recognition of revenues and expenses, accounts and reclassify reclassify discretionary accruals and accrual nondiskresioner.

2.3 Relations Corporate Governance Against Earnings Management

According to Yusriati et al. (2010: 73) is essentially the relationship between Bank Indonesia and Commercial Bank is a form of relationship between the principal and the agent can not avoid a conflict or difference of interests. This difference arises when the difference only between the goals of Bank Indonesia (principal) and Commercial Bank (agent) as well as due to the difficulty for Bank Indonesia to know the truth over financial reporting perbankkan. Based on agency theory, Earnings Management actions can be overcome with good corporate governance or good corporate governance.

Measures Earnings Management in the banking world is very diverse. There are several ways the bank manager to avoid a penalty when they fail to meet their capital needs. The easiest way is to run a profitable activity and through certain investment policies. Another way is to choose to use the accounting approach that is able to improve the Regulatory Accounting Principles (RAP) invested capital or decrease the Regulatory Accounting Principles (RAP) gross assets so that the bank can meet the eligibility test (Capital

Requirement). Earnings Management has many causes several scandals in the company ies public, for example the case of manipulation of the financial statements. Lippo Tbk, PT. Kimia Farma Tbk, PT Perusahaan Gas Negara, etc. Dedhy et al. (2011: 55-.57).

Corporate Governance is one of the forms of order the company to run its activities. Guidelines for Good Corporate Governance Indonesian Banking issued by the National Committee on Corporate Governance in January 2004 stated that the Good Corporate Governance (GCG) contains five main principles of openness (Transparency), accountability (accountability), liability(responsibility), independence (independency) and fairness (fairness), and was created in order to protect the interests of all interested parties (stakeholders). The better corporate governance owned by a company it is expected that the better the performance of the company. The effectiveness of corporate governance will improve the relationship between managers and stakeholders.

In this case the Corporate Governance is a concept that can be used to reduce it. By applying the principles of good corporate governance in the form of supervision and control is expected to improve, minimize Earnings Management practices in the preparation of the financial statements and improve the quality of the company's financial statements which have an impact on the assessment of the company's financial performance.

This study therefore suspected that the Corporate Governance as an independent variable is proxied by managerial ownership, the proportion of commissioners, external audit and the size of the company with the Earnings Management as dependent variables have an inverse relationship. If the application of the Corporate Governance better or increase the Earnings Management practices will decrease and vice versa if there is a decrease in the corporate governance of the company, it will be followed by the increasing practice of Earnings Management.

3. Research Methods

3.1. Type and Data Research

The method used in this research is the method of ex post Facco, ie to determine the effect of independent variables and the dependent variable using existing data and has happened before and can not be manipulated.

The research strategy is a strategy that is asosiasif research, ie research that examines the relationship between variables X (Corporate Governance) are proxied in managerial ownership, the proportion of commissioners, external audit and the size of the company with variable Y (Earnings Management). As for how that is done in obtaining the data is the research field (field research) through litelatur and literature data and download files from the official situr Indonesia Stock Exchange (IDX) in www.idx.co.id . The data obtained is data in the form of financial statements annual report, balance sheet, income statement, and cash flows for the entire banking companies listed on the Stock Exchange. While the approach used is kolerasional. Collected data were analyzed quantitatively by statistical methods to test hypotheses.

3.2 Data Collection Technique

Data used in this study are secondary data from the financial statements of 2010-2012. Secondary data is data obtained through existing sources and do not need to be collected by the researchers. The data was obtained from the IDX website www.idx.co.id well as each company's website samples.

Data were collected by using literature and documentation. Studies conducted with processing litelatur, articles, journals and other written media related to the topic of discussion of this study. While documentation is done by collecting documentary data sources such as annual reports are to be sampled in this study.

This research was conducted through five (5) stages of research, namely the preparation stage, the stage of fieldwork, data analysis stage, the stage of data processing and report preparation stage.

A. Population and Sample Research

The population used in this study is a banking company-owned and private national banking company listed on the Indonesia Stock Exchange (IDX) in 2010-2012, amounting to 36 banking companies.

The samples in this study is done by using purposive sampling method, namely the determination of the suitability of the sample on the basis of certain characteristics and criteria. In this study, the sample selection was based on the following criteria:

1. Banking companies listed on the Stock Exchange of at least 2009.
2. Companies that publishes financial statements audited for the period ended December 31, 2010-2012 with qualifying unqualified opinion.
3. The company has data on the composition of managerial ownership, the proportion of commissioners, external audit and the size of the company as well as data on the variables examined available research that will complete the company's annual financial statements published in 2010-2012.

Of the three criteria, then that meets the criteria to be used as samples are eight (8) bank is a bank that is listed on the Stock Exchange over the year 2009 as many as seven banks, and banks that do not publish the auditor's report in 2012 as one bank, so the banking company can be used as a sample only 28 banks out of a population of 36 banks.

B. Data Analysis Methods

1. Analysis of Independent Variables (Corporate Governance)

According to Uma Sekaran (2011: 117), the independent variables are variables that affect the dependent variable, either positively or negatively. In this case the independent variable is proxiedCorporate Governance into four independent variables are:

a. Managerial ownership

Managerial ownership is the number of shareholding by the management of the entire share capital under management. This variable is measured by the percentage of the outstanding shares owned by the management of the entire outstanding capital firm and measured using a ratio scale.

$$\text{Managerial ownership} = \frac{\text{Shares owned by management}}{\text{Total shares outstanding}}$$

b. The proportion of commissioners

The proportion of independent board is the number of commissioners affiliated with management, other board members and controlling shareholders, and free from the business relationship or other relationship which could affect its ability to act independently or act solely in the interest of the company. The proportion of independent board members is measured by the percentage of the number of independent board of commissioners overall number of companies and is measured with a ratio scale.

$$\text{Proportion BOC} = \frac{\text{The number of independent commissioners}}{\text{The total number of members of the board of commissioners}}$$

c. External Audit

The existence of an external audit is a dummy variable, if the sample firms use external audit services are included in the big four then rated 2, if the company does not use a sample of the big four audit will be given the value 1.

d. The size of the company

The size of the company or enterprise scale is a measure defined by the amount of total assets owned by the company, according Teak Satria (2012: 36). From these statements, the variable size in this case is measured by the total assets of the current year the company used in the study sample. With me-the logarithm of total assets of the company in running the sample firms.

2. Dependent Variable Analysis (Earnings Management)

The dependent variable in this study was measured Earnings Management by using proxy discretionary accruals. Discretionary accruals (DA) is the accrual component that allows managers to intervene in the preparation of financial statements, so that the earnings reported in the financial statements do not reflect the value or the actual condition of the company. DA is calculated using theModified Jones Model. In a descriptive paper Arie Rahayu 2009 (http://arierahayu.files.wordpress.com).

Modified Jones Model focuses on total accruals as a source of manipulation. Total accruals are used for one or two specific accounts. This was done with the expectation that total accruals will be able to capture a larger portion of manipulation by managers rather than the portion that was captured when using the two accounts only. However, not all changes in accruals derived from management's discretion. There are also changes in accruals derived from changes in the economic conditions of the company itself. Changes in income for example, will affect the amount of the accrual related. This means that efforts to examine the manipulation of earnings through accruals need to consider changes in economic conditions that could affect the company accrued when estimating discretionary accruals. Jones (1995) tried to control the effects of changes in the conditions on the accrual variables include changes in revenue and gross property, plant and equipment (PPE) that is built into the model. Changes in income are used as control variables because relatively objective as a measure of the company's operations prior to manipulation (accrual) by the manager. Modified Jones model equations can be written as follows:

Measuring total accruals:

$TAC = NI - CF$

Calculating the value of accruals are estimated with a regression equation:

$$\mathbf{TAC_t / A_{t-1} = \alpha_0 + \alpha_1 (1 / A_{t-1}) + \alpha_2 (\quad REV_t / A_{t-1}) + \alpha_3 (PPE_t / A_{t-1}) + e}$$

Calculate the nondiscretionary accruals (NDA)

$$\mathbf{NDA_t = \alpha_0 + \alpha_1 (1 / A_{t-1}) + \alpha_2 ((\quad REV_t - \quad REC_t) / A_{t-1}) + \alpha_3 (PPE_t / A_{t-1})}$$

Calculate discretionary accruals

$$\mathbf{DA_t = TAC_t / A_{t-1} - NDA_t}$$

Specification:

TAC : Total Accruals
NI : Net Income From Operations
CF : Cash Flow From Operations
A_{t-1} : Total assets for the sample firm i at the end of year t-1
ΔREV_t : Changes in earnings of firm i from year t-1 to year t
ΔREC_t : Change in accounts receivable perusaha an i from year t-1 to year t
PPE : Gross Property, plant and equipment
NDA_t : Nondiscretionary accruals in year t
DA_t : Discretionary accruals on iI firm in period t
α : Fitted coefficient obtained from the regression results total accruals

4. Results and Discussion

From the data that has been processed, it can be known p CALC as follows:

Table 1
Descriptive Statistics of Variables

Statistics

		Managerial Ownership	The proportion of BOC Independent	External Audit	Company Size	Earnings Management
N	Valid	84	84	84	84	84
	Missing	0	0	0	0	0
Mean		.3023	.5525	1.7024	7.4784	.6571
Minimum		.00	.25	1:00	6:19	-2719203.97
Maximum		1:00	1:00	2:00	8.80	1964013.40

From the table above statistics can be seen that the number of observations from this study (N) of 84 which consists of 5 variables. Managerial Ownership variable has a minimum value of 0.00 which, among others, owned by Bank Nusantara Parahyangan Tbk. The maximum value of 1.00 which is owned by Swadeshi Bank or Bank of India. And has a mean of 0.3023.

The proportion of independent board has a minimum value of 0.25 which is owned by Bank Pan Indonesia Tbk. The maximum value of 1.00 which is owned by ICB Bank Bumi Putera Tbk. And has a mean of 0.5525. An external audit is a dummy variable with a value of "2" for companies that use external auditors Big 4 categories and value "1" on companies that use non-Big 4 auditors category.

The minimum size of the company has valued at 6.19 which is owned by the bank's Indonesia Tbk. The maximum value of 8.80 which is owned by Bank Mandiri (Persero) Tbk. And has a mean of 0.6571.

As for the variable Earnings Management has a minimum value of -2719203.97 owned by the bank's Indonesia Tbk in 2010. The maximum value of 1964013.40 owned by the bank's Indonesia Tbk in 2011. As well as having a mean of 0.6571.

A. Regression Analysis

To find out how the influence of Managerial Ownership (X_{1}), proportion of BOC (X_{2}), External Audit (X_{3}) and Company Size (X_{4}) on Earning Management (Y), the authors use the technique of regression analysis with the aid of a computer program SPSS Version 17.0. The results of the regression analysis of data processing as follows:

Table 2
Regression Test Results
Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-230676,165	736740.180		-.313	.755
	Managerial Ownership	-93836,430	169115.853	-.064	-.555	.581
	The proportion of BOC	70449.686	580775.032	.014	.121	.904
	External Audit	-176135,219	150685.331	-.156	-1169	.246
	Company Size	69528.797	94767.026	.099	.734	.465

a. Dependent Variables: Earnings Management

Based on the results of the regression analysis above, it can be obtained a regression equation as follows:

$$\hat{Y} = -230.676{,}165 - 93836{,}430\ X_1 + 70449{,}686\ X_2 - 176135{,}219\ X_3 + 69528{,}797\ X_4$$

The equation above can be interpreted as follows:
Above equation can be interpreted as follows :

1. Constants a for -230,676.165 states that if a variable X is constant, then the variable Y is -230,676.165.
2. Regression coefficient X1 for -93,836.430 states that each additional variable X1 (managerial ownership) by 1% will reduce the variable Y (Earnings Management) at 93836.430 assuming other variables constant magnitude.
3. X2 regression coefficient for 70449.686 states that each additional variable X2 (the proportion of the commissioners) of 1% would increase the variable Y (Earnings Management) at 70449.686 assuming other variables constant magnitude.
4. regression coefficient X3 for -176,135.219 states that each additional variable X3 (external audit) of 1 unit will reduce the variable Y (Earnings Management) 176,135.219 for the other independent variables assuming a constant magnitude.
5. regression coefficient X4 69528.797 states that each additional variable X4 (company size) of 1 unit will increase the variable Y (Earnings Management) at 69528.797 assuming other variables constant magnitude.

B. Analysis of Coefficient of Determination

The percentage of the influence of corporate governance (managerial ownership, the proportion of commissioners, external audit and the size of the company) to Earning Management indicated by double determintasi coefficient (R^{2}) in Table 3 below:

Table 3
Coefficient of Determination Test Results
Model Summary [b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.150 [A]	.023	-.027	5.27072E5

a. Predictors: (Constant), Company Size, Managerial Ownership, proportion of BOC, External Audit

b. Dependent Variable: Earnings Management

Source: Data processed SPSS Version 17.0

In Table 3 above, shows the value of the coefficient of determination Adjusted R^2 = -0.027, this may mean that the influence of corporate governance (managerial ownership, the proportion of commissioners, external audit and the size of the company) as a whole toEarning Management of -0.027 or in other words -2.7% variation in the value of the variable Y (Earnings Management) can be explained by the variable Corporate Governance (managerial ownership, the proportion of commissioners, external audit and the size of the company) while the remaining 97.3% of the contribution or influence of other variables that are not included in this research model.

C. Partial Test t

The second level of significance testing is directed to examine each of the coefficients in the regression equation individually or partially. Basically this test is to determine whether each of these coefficients differ significantly from zero (0). Partial test of Corporate Governance (managerial ownership, the proportion of commissioners, external audit and the size of the company) to Earning Management conducted in accordance with the test plan hypotheses that have been put forward in the previous chapter.

a. Hypothesis $_1$ variable X to Y

The hypothesis to be tested are as follows:

1) Ho:$\beta_1 = 0$, no influence on Earnings Management Managerial ownership.
Ha:$\beta_1 \neq 0$, influence of Managerial Ownership on Earnings Management

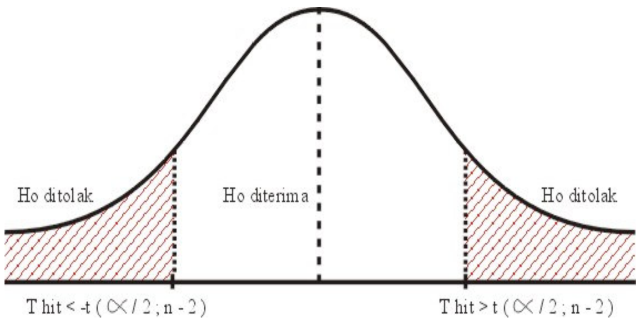
2) To find t $_{table,}$ researchers used real level t $_a$ α = 5% or confidence level (1- α = 1-5% = 95%, due to the greather level of confidence the more accurate the results obtained.

3) $t_{tabel} = \pm t_{(\alpha/2)\ (n-k-1)}$
$= \pm t_{(0,05/2)(84-4-1)}$
$= \pm t_{(0,025)(79)}$
$= \pm 1{,}990$

4) Statistics $_t$
In the calculation results SPSS Ver. 17.00 which is shown in Table 4. 18, the value of $_t$ = -1.072.

5) Determine critical areas
To clarify the above calculation, we used the picture as follows:

Figure 4.3 Regional rejection of Ho X $_1$ to Y



-1,990 -0,555 0 1,990

Source: Sugiono (20 08), processed

6) Criteria testing
If $_t \leq$ t $_{table}$ or $_{t>}$ t $_{table}$: H $_0$ is accepted or rejected Ha
If $_{t>}$ t $_{table}$ or $_t \leq$ t $_{table}$: H $_a$ H $_0$ is accepted or rejected

7) Conclusion
T value for the variable Manajeria Ownership l (X $_{1)}$ is greater than the value of -t table, ie -0.555> -1.990. Thus Ha Ho is accepted and rejected. So it can be concluded that managerial ownership variable partially no significant effect on Earnings Management.

b. Hypothesis $_2$ variable X to Y

The hypothesis to be tested are as follows:

1) Ho : $\beta_2 = 0$, No effect on the proportion of commissioners to Earnings Management.
Ha : $\beta_2 \neq 0$, Effect on the proportion of commissioners to Earnings Management.

2) To find t $_{table,}$ researchers used real level t $_a$ α = 5% or confidence level (1- α = 1-5% = 95%, due to

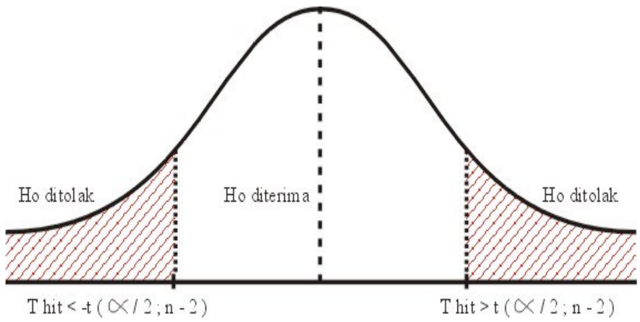
the greater degree of confidence the more a Kurat results obtained.

3) $t_{tabel} = \pm t_{(\alpha/2)\ (n\text{-}k\text{-}1)}$
$= \pm t_{(0,05/2)(84\text{-}4\text{-}1)}$
$= \pm t_{(0,025)(79)}$
$= \pm 1{,}990$

4) Statistics $_t$
In the calculation results SPSS Ver. 17.00 which is shown in Table 4.9, the value of $_t$ = -0.444.

5) Determine critical areas
To clarify the above calculation, we used the picture as follows:

Figure 4.4 Regional rejection of Ho X $_2$ to Y



-1,990 0 0,121 1,990

Source: Sugiono (20 08), processed

6) Criteria testing
If $_t \leq$ t $_{table}$ or $_{t>}$ t $_{table}$: H $_0$ is accepted or rejected Ha
If $_{t>}$ t $_{table}$ or $_t \leq$ t $_{table}$: H $_a$ H $_0$ is accepted or rejected

7) Conclusion
T value for a variable proportion of commissioners (X $_{2)}$ is smaller than t table, namely 0.12 1 <1.990. Thus Ha Ho is accepted and rejected. So it can be concluded that the proportion of variable commissioners partially no significant effect on Earnings Management.

C. Hypothesis $_3$ variable X to Y
The hypothesis to be tested are as follows:
1) Ho : $\beta_3 = 0$ no influence of the external audit of the Earnings Management.
Ha : $\beta_3 \neq 0$, No influence of the external audit of the Earnings Management.

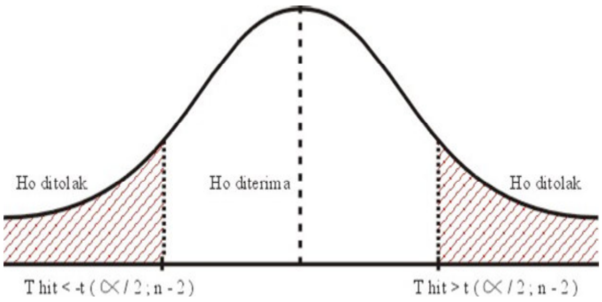
2) To find t $_{table,}$ researchers used real level t $_a$ α = 5% or confidence level (1- α = 1-5% = 95%, due to the greater level of confidence it will be more accurate ha seals obtained.

3) $t_{table} = \pm t_{\ \alpha/2)\ (n\text{-}k\text{-}1)}$
$= \pm t_{(0.05/2)\ (84\text{-}4\text{-}1)}$
$= \pm t_{(0,025)\ (79)}$
$= \pm 1,\ 990$

4) Statistics $_t$
In the calculation results SPSS Ver. 17.00 which is shown in Table 4.9, the value
of $_t$ = -0.171.

5) Determine critical areas
To clarify the above calculation, we used the picture as follows:

Figure 4.5 Regional rejection of Ho X_3 for Y



-1,990 -1,169 0 1,990

Source: Sugiono (20 08), processed

6) Criteria testing

If $_t \leq t_{table}$ or $_{t>}$ t_{table} : H_0 is accepted or rejected Ha

If $_{t>}$ t_{table} or $_t \leq t_{table}$: H_a H_0 is accepted or rejected

7) Conclusion

T value for the external audit variable ($X_{3)}$ is greater than the value of -t table, ie -1.169> -1, 990. Thus Ha Ho is accepted and rejected. So it can be concluded that the variable external audit partially no significant effect on Earnings Management.

D. Hypothesis $_4$ variable X to Y

The hypothesis to be tested are as follows:

1) Ho : $\beta_4 = 0$, no effect of firm size on Earnings Management.

Ha : $\beta_4 \neq 0$, the effect of firm size on Earnings Management.

2) To find $t_{table,}$ researchers used real level t_a α = 5% or confidence level (1- α = 1-5% = 95%, due to the greater degree of confidence the more accurate the results obtained.

3) t_{table} $= \pm t_{\ \alpha/2)\ (n-k-1)}$

$= \pm t_{(0.05/2)\ (84-4-1)}$

$= \pm t_{(0,025)\ (79)}$

$= \pm 1,990$

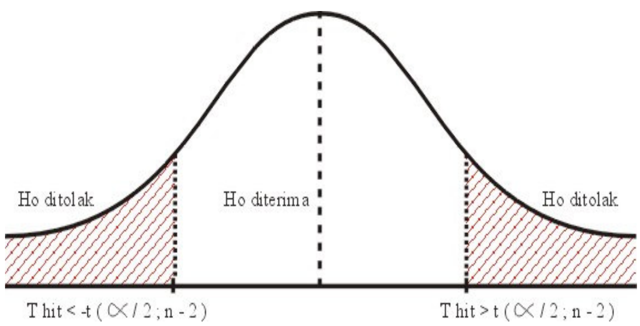
4) Statistics $_t$

In the calculation results SPSS Ver. 17.00 which is shown in Table 4.9, the value of $_t$ = 10.287.

5) Determine critical areas

To clarify the above calculation, we used the picture as follows:

Figure 4.6 Regional rejection of Ho X_4 to Y



1,990 0 0,734 1,990

Source: Sugiono (20 08), processed

6) Criteria testing

If $_{t} \leq$ t $_{table}$ or $_{t>}$ t $_{table}$: H $_0$ is accepted or rejected Ha

If $_{t>}$ t $_{table}$ or $_{t} \leq$ t $_{table}$: H $_a$ is accepted or rejected

7) Conclusion

T value for the variable size of the company (X $_{4)}$ is smaller than t table, ie 0.734 <1.9 90. Thus Ha Ho is accepted and rejected. So it can be concluded that the firm size variable partially no significant effect on Earnings Management.

D. Interpretation of Results

Based on the research that has been done, it can be interpreted the results as follows:

1. Effect of Managerial Ownership on Earnings Management

The results showed that managerial ownership has no effect on Earnings Management. These results are supported by research conducted by Debby Natalia (2013) which states that managerial ownership does not significantly influence the actions Earnings Management. According to him, that the presence of capital owned by management in an enterprise, it does not mean they will tend to show the true financial condition occurs.

2. Effect of Proportion of the Board of Commissioners of the Earnings Management

The results showed the proportion of the Board of Commissioners has no effect on Earnings Management. These results are supported by research conducted by Ujiyantho and Scout (2007) which states that the board size does not significantly affect the action Earning Management. According to Cohen, et al. 2004 in Ujiyantho and Scout (2007) explains that the size of the board of directors not be a major determinant of the effectiveness of the supervision of the management company. But the effectiveness of the company's management relies on values, norms and beliefs are accepted in an organization.

According to research conducted by Yusriati and Eliada (2010), the composition of the independent board and audit committee has no effect on E arning Management is happening in the Indonesian banking company. This is due to the appointment of independent directors and audit committee by the company may only be done for regulatory compliance alone is not to uphold good corporate governance within the company.

3. Effect of External Audit of the Earnings Management

The results showed no effect of external audits on Earnings Management. These results contrast with research conducted by Ratnaningsih SY (2012) which states that the external audit is the independent variables that most influence on Earnings Management . These results indicate that the presence of external audits have a negative effect on Earnings Management which means the better the level of external audits are used the less likely the practice of Earnings Management by the company. However, this research has not shown that the existing external audit in the banking company has been running tasks properly in controlling the company.

4. Effect of Firm Size on Earnings Management

The results showed that the large size of the company has no effect on Earnings Management . These results are supported by research Early Reviani (2012) which states that the size of the company had no significant positive effect on Earnings Management which means that there are still large companies that need funds from investors that need action Earnings Management to attract the attention of investors. For example, companies that are experiencing financial condition unstable.

5. Effect of Corporate Governance (Managerial Ownership, proportion of BOC, External Audit and Company Size) to Earnings Management

The results showed, Corporate Governance (Managerial Ownership, proportion of BOC, External Audit and Company Size) simultaneously has no effect on Earnings Management . Overall,Corporate Governance to Earning Management has no effect. This is due to the implementation of good corporate governance in Indonesia is still relatively new and the company has a board size, the composition of the independent board and audit committee just for regulatory compliance, not as a requirement of the company.

5. Conclusion

Based on the results of this study concluded that v ariabel Corporate Governance that managerial ownership, the proportion of board of directors, the external auditors as well as the size of the companies simultaneously and partially no effect on the practice of Earnings Management , this is due to the application of corporate governance conducted by the sample companies do just because for regulatory compliance alone. In addition, the implementation of corporate governance is still a new thing in Indonesia and the effect of the application of corporate governance that can only be felt in the long term.

Limitations of this study are (1) the company sampled in this study only one type of company that banking company; (2) d ata used in this study using only the written report, while the implementationof good corporate governance should also be measured through its implementation in the field; (3) p enelitian which only uses a period of three years running (2010-2012) who may be at the start of 2004 when the national committee of Good Corporate Governance in Indonesia issued general guidance on good corporate governance .

Suggestions for further research may use other independent variables that are expected to affect earnings management such as, the existence of an audit committee in the company ', the company's management experience, interest rates and inflation in the period. And it is advisable to add the period of study and the type of company that the research sample so as to give better results than previous studies.

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