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Effect of Managerial Ownership Structure, Financial Risk and Its Value on Income Smoothing in the Automotive Industry and Food & Beverage Industry Listed in Indonesia Stock Exchange

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Abstract
This study was to quantify the effect of ownership structure, financial risk, and the value of the company on income smoothing. Managerial ownership structure variables measured by the scale ratio that is by the number of shares held by non- managerial compared to the number of shares outstanding. The indicator is the percentage of shares held by management of total shares outstanding companies. Financial risk using level Leverage (LEV) and the value of the company using the Price Earnings Ratio (PER). This study aimed to confirm the results of previous studies that examine some of the factors that influence the practice of income smoothing because there are inconsistencies in the results and to compare whether the ownership structure, financial risk and smoothing effect on the value of company profits in two industries, namely the automotive industry and food and beverage industry are listed on the Stock Exchange 2009-2012 period. The sampling method used is saturated or census sampling and to test the hypothesis using logistic regression. Hypothesis test results for the two industries indicate that the food and beverage industry managerial ownership structure does not significantly influence the practice of income smoothing, the value of the company does not have a significant effect on income smoothing practices, financial risk no significant effect on income smoothing practices. While the automotive industry managerial ownership structure significantly influence income smoothing practices of the company, the financial risk significant effect on income smoothing practices of companies and value companies did not significantly influence the practice of income smoothing. But simultaneously both show the same results, namely the independent variable (SKM, Leverage, and PER) simultaneously significant effect on the dependent variable (income smoothing).
Keywords: Structure of Managerial Ownership, Financial Risk, Corporate Values, Alignment Profit

1. Introduction

Accounting information relating to the performance of the company is the most fundamental requirement in the decision making process for investors in the capital market. One source of information is the financial statement. The financial statement is a financial information about the financial position and financial performance (Sindi and Retno, 2006). Therefore, the information presented in the financial statements must be understandable, relevant, reliable, and comparable to describe the condition of the company in the past and future projections. One of the most important information in decision-making is the profit (Prasetyo, 2002:45). Statement of Financial Accounting Concept (SFAC) No. 1 states that: "the earnings information in general is a major concern in assessing the performance or accountability of management and earnings information to help the owner or other person doing the assessment on ernings power company in the future".

According to (Murdiyanti and Suharlan, 2007) financial statements prepared by management. Therefore, managers have the space to do a variety of alternative actions to change its accounting policies in accordance with the interests of the company and provide flexibility for management to choose one of several such accounting policies. These conditions encourage managers to opportunistically selecting accounting policies in accordance with their interests. By consciously or not, it has encouraged managers to manage earnings (earnings management) or even compelled to manipulate earnings (earnings manipulation) (Murdiyanti and Suharlan, 2007).

Earnings smoothing hypothesis or income smoothing hypothesis is one way that can be used to explain the concept of earnings management (Mercy and Gudono 2000). Earnings smoothing hypothesis is interference to earnings management through aberrant behavior by way of earnings manipulation to reduce the fluctuations around the level that is considered normal for the company (Masodah, 2007). Management actions income smoothing is generally based on a variety of good reasons to satisfy the interests of the owner of the company and to put the interests of their own (Juniarti and Corolina, 2008).

Murdayanti and Suharlan research has provided evidence that the company income smoothing through manipulation of items extraordinary items (extraordinary items). (Suwito and Herawaty, 2005) reported that there were indications of the income smoothing and operating profit is a common goal that is used to perform smoothing earnings and income smoothing action tends to be done by the company that the probability is low and companies in the industry at risk (Suwito and Herawaty, 2005).

Income smoothing practices driven by various factors. The driving factors can be distinguished on the economic consequences of the choice of factors and factors accounting profit. Factors consequences of accounting choice are a condition that is affected by accounting numbers, so that the accounting changes will affect the conditions that affect it. While the factors profit is the effect of periodic figures which itself also encourages income smoothing behavior . Income smoothing will not occur if the profit generated in accordance with the expected profit (Finta Pratamasari, 2012).

If the information is announced earnings is good news for investors, the stock price will rise and give a large excess return for investors so that it attracted the attention of other investors to invest in the company. If the earnings information is bad news, the stock price will fall and cause investors dumped or attract investment from the company through profit or loss. By displaying a relatively stable earnings are expected to improve the perception of external parties regarding the enterprise performance management (Prasetyo, 2002:45).

The reason the authors take industrial manufacturing companies, especially the automotive sector and food and beverage sectors because the results of index eckel calculation, it shows that PT Goodyear Indonesia Tbk, which is not doing any income smoothing over the years 2009-2012 of all the automotive industry listed on Indonesia stock exchange. As well as the food and beverage sector, Eckel index shows that only PT Tunas Baru Lampung, Tbk which is not doing any income smoothing over the years 2009-2012.

The income smoothing has a reciprocal relationship to the value of the company, because it resulted in a reduction of income smoothing fluctuations in earnings, so as to reflect the stability of the company's performance or the value of the company, and vice versa that the performance of the company or the value of the company is a factor that affects the income smoothing companies (Purwanto, 2009). In some previous studies, research on the factors that influence the practice of income smoothing has been carried out both abroad and in Indonesia. However, the results of these studies there were conflicting. In some previous studies of financial risk, and the value of the company are several factors that affect the income smoothing (Suranta and Merdiastuti, 2004; Juniarti and Carolina, 2006; Aji and Mita, 2010).

The result of Suranata and Merdiastuti (2004) research, states that the financial risk proxy for leverage, the value of the company are proxied by Tobin's Q, and the ownership structure of the proxy for managerial ownership significantly affect income smoothing (Suranta et al, 2004:341-344). Aji and Mita (2010) which researching about the effect of profitability, financial risk, the value of the company, and the ownership structure of the income smoothing practices also find different results. Research results stated that the financial risk, and the value of the company have a significant effect on income smoothing, while managerial ownership structure does not have a significant impact on the practice of income smoothing (Aji, et al, 2010:14-18).

This study intends to confirm the results of previous studies that examine some of the factors that influence the practice of income smoothing because there are inconsistencies in the results of previous studies, as well as to develop previous research on other study variables related to the practice of income smoothing. This research is expected to contribute to examine whether there was a strengthening consistency with existing theory and research for this or otherwise.

2. Research Framework

2.1 The Influence Of Ownership Structure On Income Smoothing

Shares are securities that show ownership of the company so that shareholders have the right to claim on dividends or other distributions by the company to the other shareholders, according to Husnan (2005:29).

Weston and Copeland states that managerial ownership structure is the number of shares owned by the company as the Board of Directors, Managers and Employees. Then Brochet and Giladao (2004) states, which has a stock management company has more information about the company in the appeal of non-institutional shareholders other. Jensen Meckling (1976) argued that ownership by managers will affect the performance of managers. Managers who have a stake in the company will try to improve the performance of the company, due to the increase in corporate profits, the incentive received by the manager will increase as well. Conversely, if the ownership of the manager down, then the cost will increase the agency. This is because the manager will take action that does not provide many benefits to the company, the manager will tend to utilize company resources for their own benefit. This concurs with Siallagan and Machfoedz’s (2006) research, the greater ownership in the company management, the management will tend to try to improve its performance for the benefit of shareholders and for the benefit of himself. Increasing the proportion of managerial stock ownership will also increase performance of the company.

Concentration of interest can be achieved by giving ownership to the manager. If the manager has a stock company, they will have the same interests with the owner. If the interests of managers and owners of parallel (aligned) can reduce the agency conflict. If the agency conflicts can be reduced, managers are motivated to improve company performance. But high level of managerial ownership may cause problems of defense. It means that if a high managerial ownership, they have strong position to control the company and external parties will find it difficult to control the actions of the manager. This is because the manager has great voting rights on managerial ownership in Praditia, 2010 (Siswantaya, 2007)).

Managerial ownership variables can be measured by the percentage of shares held by managerial divided by number of shares outstanding and given the symbol SKM

2.2 Influence of Financial Risk on Income Smoothing

The definition of financial ratios according to Horne and Wachowizs (1997:133) is the index that connects two accounting numbers and is obtained by dividing one number by another number.

According to Weston and Copeland,financial risk is the additional risk arising from the use of financial leverage and is reflected in a wide variety of Net Income stream, or NI. Sindi and Etna (2011) revealed that the financial risk is Leverage (the ratio between debt with assets that indicates what proportion of assets used to secure the loan). According to Kustini and Ekawati (2006) financial risk is a benchmark for the company to meet its obligations, then conclude that the leverage effect on income smoothing, so the company has a high leverage tend to perform smoothing earnings compared with companies that have low leverage. Anggriani, F (2005:12-29) states that leverage can measure the degree of financial risk in the company. If the high leverage shows financial risk or the risk of failure of the company to repay the loan will be higher and vice versa. Companies that have high leverage ratios alleged practice of income smoothing (Tarjo and Sulityowati, 2005:1-23). Companies with high debt levels have a higher risk, the company's earnings tend to fluctuate and company income smoothing in order to profit the company looks stable because investors tend to observe fluctuations in the profits of an enterprise (Kustiani and Ekawati, 2006). So this is in accordance with the results of research conducted by Sartono (2004) which states greater the company's debt, the greater the risk faced by investors and investors will ask for higher profit level. As a result of these conditions companies tend to practice income smoothing.

From the above explanation can be concluded that the financial risk is a benchmark for the company to meet its obligations, and to measure the financial risk in a company by using leverage (LEV), which is the ratio between the book value of total debt to total book value of assets.

2.3 Influence of The Value of Company on Income Smoothing

In the financial management book Weston and Copeland (2006) explained that the value of the company is the perception of investors in a company. Sindi and Etna (2011) explains that the company is a reciprocal relationship with the investors, the higher the value of a company, the greater the appetite for the company, investors usually look at the value of the company's stock price. The income smoothing has a reciprocal relationship to the value of the company, because it resulted in a reduction of income smoothing fluctuations in earnings, so as to reflect the stability of the company's performance or the value of the company, and vice versa that the performance of the company or the value of the company is a factor that affects the income smoothing companies (Purwanto, 2009:175-189).

According Suranta and Merdiastuti (2004), a company that has a high market value will tend to do the income smoothing . This is because the company will tend to maintain the consistency of the profits that the company's market value remains high so it can be more interesting flow of resources to the company. Then, Christiawan and Tarin (2007) states, there are some concepts that explain the value of the company that is the nominal value, intrinsic value, liquidity value, book value and market value.

Many methods and techniques that can be used for the assessment of the company, but in this study the authors wanted to use the Price Earnings Ratio (PER). PER which is derived from a comparison between the stock price with the company's net profit per share. The reason is because the researchers used the PER value of net income in the calculation of PER better reflect the actual performance of a company.

Based on that explanation, the hypothesis will be :

Ha_1. Managerial Ownership structure has a significant influence on income smoothing practices in the automotive industry sector companies and food and beverage industry sectors listed on the Stock Exchange 2009-2012 period.

Ha2. Financial risk has a significant effect on income smoothing practices in the automotive industry sector companies and food and beverage industry sectors listed on the Stock Exchange 2009-2012 period.

Ha3. Value Company has significant influence on income smoothing practices in the automotive industry sector companies and food and beverage industry sector listed on the Stock Exchange 2009-2012 period.

Ha4. Managerial Ownership Structure , Financial Risk and Value Company has significant influence on income smoothing practices in the automotive industry sector companies and food and beverage industry sectors listed on the Stock Exchange 2009-2012 period.

3. Research Methodology

This is quantitative research, data collecting from Indonesia Stock Exchange (www.idx.co.id). The study was conducted from October 2013-until ended.

The population is the automotive industry sector and food and beverage industry sectors listed in Indonesia Stock Exchange (IDX) in 2009-2012. In 2009 and 2010 there were 11 companies in the automotive and industrial sectors in, 2011 and 2012 were 12. For the food and beverages industry were 17 companies in total.

This study used a technique saturated sample method. Saturated sample method is sampling technique when members of the population used as a sample. This is often done when the population size is relatively small, less than 30 or research to make generalizations with a very small error. Another term sampling is saturated census, where all members of the population used as a sample.

The measurements used in this study are: mean (to determine the average data concerned), Maximum (to determine the largest amount of data is concerned), Minimum (to determine the smallest amount of data is concerned), The standard deviation (to determine how much pertinent data varies from the average).

Data analysis was performed using statistical techniques are logistic regression test. Logistic regression aims to test whether the probability of the independent variable. Variable that is affected is called the dependent variable or dependent, whereas the variables that affect the so-called independent variables. The equation for hypothesis testing hypotheses one through eight as follows:

$$\text{LN}\ \frac{P}{1-P} = b0 + b1\ x1 + b2\ x2 + b3\ x3 + b4\ x4 + b5\ x5 + b6\ x6 + b7\ x7$$

4. Result

4.1 Automotive Industry Sector

The value of the SKM showed a minimum value of 0:00 and a maximum of 28.09, with a standard deviation of 9.81015 and a mean value of 5.2966 SKM which shows that the automotive sector manufacturing companies listed in Indonesia Stock Exchange 2009-2012 period has a value greater than the average value SKM -rata automotive sector manufacturing companies the period 2005-2008 amounted to 4.3272. Because the average value of the company SKM higher in the year 2009-2012 compared to the previous 4-year period means the company will get the close supervision of the parties in the company because with the increasing number of parties in the company investing capital in the company fraud committed by parties to the companies will wane.

The value of leverage shows the minimum value of 20:00 and a maximum of 78.00, with a standard deviation of the mean value of 19.33782 and leverage of 48.0455 which shows that the automotive sector manufacturing companies listed in Indonesia Stock Exchange 2009-2012 period has a value greater than the average leverage companies manufacturing automotive sector for the period 2005-2008 41.6473. Because the average value of higher leverage in the year 2009-2012 compared to the previous 4-year period means the company will gain greater financial risk in the future, because of the greater financial risk, the company also has a larger debt than assets owned by the company, with a lot of debt and income smoothing will attract investors to invest so that the company will get an injection of funds to pay off debts.

Value PER shows a minimum value of 0:07 and a maximum of 18:01, with a standard deviation of 5.2966 and a mean value of 7.3736 PER which shows that the automotive sector manufacturing companies listed in Indonesia Stock Exchange 2009-2012 period has a value greater than the average value SKM automotive sector manufacturing companies the period 2005-2008 amounted to 5.8792. Because the average value of the company PER higher in 2009-2012 compared to the previous 4-year period means the company will get a positive response from investors and many investors who were watching the movement of the company because the company is already attracted investors means the company is in achievement increased.

SPSS output display shows that the value of Statistics Hosmer and Lemeshow's Goodness of Fit of 6.914 with a significant probability of 0.546 which far exceed 0.05. thus it can be concluded that H0 cannot be rejected, which means that the hypothesized model fit the data or models can be accepted.

Judging from SPSS value Cox and Snell's R Square of 0.389 and the value Negelkerke's R^2 of 0.528 which means that 52.8 % of income smoothing the dependent variable explained by the independent variables of managerial ownership structure, financial risk and the value of the company, and the remaining 47.2 % is explained by variable other than the variables used.

According to the predictions of income smoothing manufacturing companies get no income smoothing (code 0) is 27 income smoothing, while the value of observations is only 24 so the classification accuracy of 88.9 %. While the prediction gain income smoothing (code 1) is 17 income smoothing, whereas only 12 observations value of income smoothing so the classification accuracy of 70.6 % or the overall accuracy of the classification was 81.8 %.

Base on T-Test show that managerial ownership structure significantly influence the practice of income smoothing the automotive industry sector companies listed on the Stock Exchange 2009-2012 period. This can be evidenced by the value of the odds ratio for 0906 as well as the probability value of 0.041 <0.05 which means that H0 is rejected and H1 is accepted. The correlation coefficients for variables SKM showed a value of -0099. Thus, it can be explained that managerial ownership structure significantly influence the practice of income smoothing. Increasing managerial ownership structure of a company will always lower the income smoothing practices in the automotive industry sector companies listed on the Stock Exchange 2009-2012 period. These results are consistent with Midiastuty and Machfoedz (2003) states that managerial ownership is one of the mechanisms that can be applied to limit opportunistic behavior of managers in the form of earnings management, in other words, the magnitude of managerial ownership of the company, to do the income smoothing is very small because the management is also have a voice in determining the continuation of the company so that the management will altruistic fellow shareholders without being in cover.

Then, the results for the financial risk of a significant effect on income smoothing practices automotive industry sector companies listed on the Stock Exchange 2009-2012 period. This can be evidenced by the value of the odds ratio for 1091 as well as the probability value of 0.001 <0.05 which means that H0 is rejected and H1 is accepted. The correlation coefficient for the variable leverage showed a value of 0.087. Thus, it can be explained that the financial risk of a significant effect on income smoothing practices. The increasing financial risk a company will always increase the income smoothing practices in the automotive industry sector companies listed on the Stock Exchange 2009-2012 period.

The test results showed that the Financial Risk influence on income smoothing practices undertaken by the company. These results are consistent with a study by the statement (Kustiani and Ekawati, 2006) Companies with high debt levels have a higher risk, the company's earnings tend to fluctuate and company income smoothing in order to profit the company looks stable because investors tend to observe fluctuations in the profits of an enterprise .

The result for value of the company has no significant effect on the practice of income smoothing the automotive industry sector companies listed on the Stock Exchange 2009-2012 period. This can be evidenced by the value of the odds ratio of 1.102 and the probability value of 2,219> 0.05 which means that H0 and H1 is rejected. The correlation coefficients for variables PER showed a value of 0.097. Thus, it can be explained that the value of the company significantly influence income smoothing practices. The increasing value of a company, the company will not necessarily lower the income smoothing practices in the automotive industry sector companies listed on the Stock Exchange 2009-2012 period. These results are consistent with the statement of Herawaty (2008), a company that the greater will be the public spotlight so they tend to not perform income smoothing, in addition to the transactions in large companies are also increasingly complex so that the practice of income smoothing increasingly difficult to do.

Based on omnibus test of model coefficients show that the independent variable (SKM, Leverage, and PER) simultaneously significant effect on the dependent variable (income smoothing) is to meet the criteria.

Maximum likelihood estimation of the model parameters can be seen from the display output of the variable in the equation. Logistic regression can be expressed as follows:

$$\mathrm{LN}\,\frac{1-P}{P} = -\,5.183 - 0.099\ \mathrm{SKM} + 0.087\ \mathrm{LEV} + 0.097\ \mathrm{PER}$$

4.2 Food and Beverages Industry Sector

SPSS output shows that the value of Statistics Hosmer and Lemeshow's Goodness of Fit of 10.223 with a significant probability of 0.250 which far exceed 0.05. Thus it can be concluded that H0 cannot be rejected, which means that the hypothesized model fit the data or models can be accepted.

Judging from SPSS value Cox and Snell's R Square of 0.168 and the value Negelkerke's R^2 of 0.224 which means that 22.4% of income smoothing the dependent variable explained by the independent variables of managerial ownership structure, financial risk and the value of the company, and the remaining 77.6% is explained by variable other than the variables used.

Based on T-Test, that managerial ownership structure does not significantly influence the practice of income smoothing n baverage food sector companies listed on the Stock Exchange 2009-2012 period. This can be evidenced by the value of the odds ratio of 0.889 and the probability value of 0.260> 0.05 which means that H0 and H1 is rejected. The correlation coefficients for variables SKM showed a value of -0117.

Then for the financial risk is not significant effect on income smoothing practices and beverage food sector companies listed on the Stock Exchange 2009-2012 period. This can be evidenced by the value of the odds ratio of 1.044 and the probability value of 0.062> 0.05 which means that H0 and H1 is rejected. The correlation coefficient for the variable leverage showed a value of 0.043. Thus, it can be explained that the financial risk is not significant effect on income smoothing practices.

And for the value of the company does not have a significant effect on the practice of income smoothing n beverage food sector companies listed on the Stock Exchange 2009-2012 period. This can be evidenced by the value of the odds ratio for 0959 as well as the probability value of 0.235> 0.05 which means

that H0 and H1 is rejected. The correlation coefficients for variables PER showed a value of -0.42. Thus, it can be explained that the company has no significant effect on the practice of income smoothing.
Base on omnibus test of model coefficients show that the independent variable (SKM, Leverage, and PER) simultaneously significant effect on the dependent variable (income smoothing) is to meet the criteria.
Maximum likelihood estimation of the model parameters can be seen from the display output of the variable in the equation. Logistic regression can be expressed as:

$$\mathrm{LN}\ \frac{1-P}{P} = -\ 0.423 - 0.117\ \mathrm{SKM} + 0.043\ \mathrm{LEV} - 0.042\ \mathrm{PER}$$

5. Discussion

Perceptions of Accounting Managerial Ownership Structure

The view of accounting is that the existing shareholding in the company is very positive impact for the company, because with in given it to the stock ownership in. Then the parties to the companies that have a stake in the company will provide better oversight for the company because the stock management has more inclined to defend the company and wants to make the company much better and Going Concern, but even so the amount of ownership in that company should be restricted because if the number of managerial stock ownership more it will make him have a greater voting rights that would make investors who will invest into doubt, because investors usually want greater voting rights in the company appeal. With the reduction in the investor's share price will not increase, thus managerial ownership is important for surveillance, but more preferred investors from outside the company that the company's stock price continued to rise.

Financial Risk Accounting Views

The view is that the Financial Risk accounting is an additional risk arising from the use of financial leverage. Leverage is the ratio of debt to assets that show how parts of the assets used to secure the loan. Financial risk is also a benchmark for the company to meet its obligations, due to the greater leverage in the company, the risks that exist in the company is also getting bigger. The results in this study is that the Financial Risk in the proxy with "Leverage" has a positive effect by smoothing earnings. Thus the greater the leverage, the greater the income smoothing practices. The higher the leverage, the rate of repayment by using the assets as a guarantor of debt is getting smaller. Thus the management at the time wanted to do a debt, long-term debt and debt or short term the supplier should be in accordance with the ability of the company because if the debt borrowed large enough then the risk of the company is also getting bigger. With great risk and rate of return doubtful debt would create a level of trust suppliers and banks will be less and the investors would hesitate to invest because the company has a huge risk.

Views Accounting Firm Value

The company is an investor perception of the value of a company has a reciprocal with investors, the higher the value of the company, the greater the appetite for the company. In this study the results of the Company's value in proxied by (PER) had no effect on earnings smoothing. Thus, the PER of any size has no effect to Gain Flattening the greater offense PER did not necessarily Gain Flattening practice because high PER value and if not consistent, the company's stock price income smoothing practices will be done because the higher the PER value jam desired investors but also the consistency of the stock price is also desired by investors who want to invest. And a low PER also not kind of income smoothing because despite low PER but the consistency is very good stock price, investors will also be interested in the company, so that the management should prioritize the level of consistency in the stock price in the market because it is more preferred by investors and trust shareholders will be maintained for any size PER will not give effect to the decision of investors to invest capital.

6. Conclusion

From the results of hypothesis testing for the automotive industry and the food and beverage industry are as follows:

Table 1. Ownership Structure on Income Smoothing

Industry	Ownership Structure-Income Smoothing	Literature Review
Automotive	Significant influence	Suranta dan Merdistuti (2004)
Food and Beverage	Not significant influence	Aji dan Mita (2010)

Managerial ownership is one of the mechanisms that can be applied to limit opportunistic behavior of managers in the form of earnings management, in other words, the magnitude of managerial ownership of the company, to do the income smoothing is very small because the management also have a say in determining the continuation of the company so that the management will be concerned interests of fellow shareholders without being in cover.

Table 2. Leverage on Income Smoothing

Industry	Leverage-Income Smoothing	Literature Review
Automotive	Significant influence	Juniarti dan Carolina (2006)
Food and Beverage	Not significant influence	Dewi (2011)

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