

# The Effect of Corporate Governance on Earnings Quality with Surplus Free Cash Flow as Moderating Variable

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## Abstract

The research aims to obtain empirical evidence about the effect of corporate governance (independent commissioner's, CEO duality of commissioner's and audit committee independent) on earnings quality proxied by representational faithfulness and moderated by Surplus Free Cash Flow. The sample of this research are property, real estate and building construction companies listed on Indonesia Stock Exchange (IDX) in 2010 to 2012 periods. The number of companies in this research were 25 companies with 3 years observation. Based on purposive sampling method, final sample total is 75 companies. The data analysis methods uses multiple regressions and moderate regressions analysis (MRA). The results of these research from multiple regressions indicate that independent commissioner's and CEO duality of commissioner's has significant effect on earnings quality. On the other hand, audit committee independent haven't significant effect on earnings quality. And The results of these research from moderate regressions analysis indicate that all variables off corporate governance are moderate by surplus free cash flow hasn't significant effect on earnings quality.

**Keywords:** representational faithfulness, earnings quality, surplus free cash flow, independent commissioner, CEO duality board of commissioner, independent audit committee

## 1. Introduction

Indonesian capital market has an important role in the economy, ie as an intermediary between parties with surplus funds (investors) and parties who need the funds, there is a symbiotic mutualism in it. Capital markets are expected to be in an efficient condition, a condition that allows same information to be obtained by every investor, which is expected to create conditions of mutual benefit between the two parties (Agustiniingsih, 2009).

The shape of the internal corporate accountability to external parties is the company's financial statements, which can be used as a support in decision making. Profit is one of the information contained in the financial statements which are very important for the internal and external parties. Profit company information can be used to assess the performance, predict future earnings and estimate the investment risk or risk credit (Kirschenheiter and Melumad 2002).

Given the importance of the quality of profit, investors and creditors should not only look at the financial statements of the company and focusing on its profits alone, regardless of the procedure used to generate information about the profit. This condition causes the managers to take actions that make financial reports to be good, with the aim of maintaining company's viability, in order to run stably that would draw the attention of investors to invest.

Managers and managers as well as those within the company that oversees, commissioners independent and non-independent, the audit committee plays an important role in overseeing the information reported, especially those that related to earnings. If there is lack of supervision, earning management could happen, or deceit in the financial statements' disclosure.

The increasing attention given by academic researchers on the mechanisms of corporate governance after the Asian financial crisis and financial reporting scandals is that good corporate governance will curb unethical behavior's management of earnings management, thus improving the reliability and benefit of the earnings quality's information. It is also believed that the presence of a good governance system can assist in maintaining investor's confidence in the integrity of capital markets (Hashim and Devi, 2007).

Agency theory of free cash flow has been established based on the premise that the existence of agency conflicts in free cash flow between managers and shareholders led to the practice of corporate governance to be more vigilant in the effort of reducing conflicts (Jensen, 1986 in Al Dhamari and Ismail, 2012), and argues that in situations where a company has high free cash flow but low growth prospects (surplus of free cash flow), corporate managers are more likely to invest free cash in negative plans. As the consequence to negative impact of this plan, the corporate manager has the opportunity to manipulate the financial statements that will eventually deteriorate earnings informativeness (Hill and Iskandar, 2009, Chung et.al, 2005, Rahman and Mohd-Saleh, 2008). Therefore, the market will expect good governance mechanisms to effectively limit the unethical behavior of corporate manager and ascertain the number of company's high-quality earnings. Although more attention is paid to how the corporate governance practices improve earnings quality, only little is known about the role of

the agency problem of free cash flow and its relationship with corporate governance and earnings quality.

Based on the matters described above, researchers are interested in conducting research to find out how big the consistency of influence in corporate governance variables (ie; independent boards, CEO duality commissioners and independent audit committee) with earnings quality, and to also examine the relationship of previous hypothesis with companies who have surplus of free cash flow. In particular, this study investigated the interactive effects between corporate governance and the surplus of free cash flow to quality of profit or earnings quality.

## 2. Relationship between variables and formulation of hypotheses

The relationship between independent variables and the dependent variable in this study can be described as follows:

### a. The board of independent directors with quality of profit

Corporate governance mechanisms are expected to reduce agency conflicts between managers and owners that come from the differences in having the company and controlling company (Jensen and Meckling, 1976), corporate governance mechanism also restore investor's confidence in the integrity of the capital markets and thus, attract potential investors to the market -Market (Hashim and Devi, 2007). As one of the factors that affect the composition of the board affects the effectiveness of the board of directors in the form of improving the quality of earnings.

The presence of independent directors on the board are expected to limit the self-interested behavior of management and improve the quality of reported earnings. In another study, Beasley (2006) concluded that the proportion of commissioners outside larger on the board reduce the possibility of fraudulent financial statements, also in his research, he found that the independent commissioner board is negatively related to accrual discretionary. Farida (2012) declared the results of research conducted by Klein (2002), Chtourou et.al (2001), Mdiastuty and Mahfoedz (2003) that companies which have commissioners who come from outside the company may affect earnings management actions. This shows that the proportion of the commissioners who come from outside will be able to enhance the oversight role of the board of commissioners. With the surveillance, the results produced by the company's financial statements will be more qualified. Based on the findings of this study, the hypothesis is as follows:

### **H1: independent directors of the Board have a significant effect to earnings quality**

### b. CEO duality board of commissioners with earnings quality

Board leadership structure is another mechanism that affects the commissioners who play a role in monitoring and controlling the management of the company. Proponents of the theory of agency found by combining the role of chief commissioner with the CEO (CEO duality) will reduce the independence of the boards and thus, giving managers the opportunity to seek personal interests instead of the interests of shareholders (Chang and Sun, 2010, Firth et al. 2007, Jensen, 1993).

Gul and Tsui (2001) highlighted the "damage" of earnings quality whom reported by the two roles of the chairman and CEO of the combined commissioner. In addition Anderson et.al (2003) found that companies that do not apply the CEO duality experience more informative earnings figures. This study examines whether an independent chairman will result in increased earnings quality. Therefore, the hypothesis is:

### **H2: Independence of the chairman of the commissioner's boards has significant effect on earnings quality.**

### c. The independent audit committee with earnings quality

Anderson *et al.* (2003) have said that an independent audit committee improves the accuracy of financial information and allowing capital markets to place greater reliance on the information released by the company. Independent director in charge of the audit committee will have the incentive and a greater tendency to avoid activities such as financial misstatements that would undermine their credibility (Sorry et.al 2008).

Siagian and Tresnaningsih (2011) showed that the quality of reported earnings will increase if the level of an independent audit committee also increased. In Suaryana study (2005) has argued that there is a difference between the earnings response coefficient between the companies that make up the audit committee and the company who does not establish an audit committee. These results indicate that the market assess the earnings reported by companies that make up the audit committee have better earnings quality than the earnings reported by companies that do not establish an audit committee. The hypothesis is as follows:

### **H3: an independent audit committee significant effect on Quality of Earnings**

### d. Corporate Governance, Surplus Free Cash Flow with Profit Quality

Jensen (1986) argued that the increase in free cash flow worsen incentives involved in manager Negative Present Value (NPV). The project manager may be of desire itself, perhaps because it gives them control over the resources of the company (Chung et al., 2005). Activities that are not optimized by the manager can increase agency conflicts by making the destruction of the value of the investment. The investment value destroyed in the end lead to a decrease in the share price and may harm a senior executive position, to disguise the negative

effects of such investments, the manager can use the tools of opportunistic earnings management to inflate reported earnings (Hill and Iskandar, 2009, Chung et al., 2005, Rahman and Mohd-Saleh, 2008).

Involved in the earnings management, the manager will make revenue figures become more interesting and ends can affect the reliability of reported earnings. Rahman and Mohd-Saleh (2008) found that in Malaysia, the discounted value of profits in the company on the stock exchange with the agency problem of free cash flow is due to misstatement. As a company with high agency conflict, the free cash flow will have a tendency to be manipulated and falsely reported in their earnings informativeness, then the stock market will react negatively to the information and the earnings quality will be lower for companies with agency problems of high free cash flow.

With the theory of agency costs, is expected to improve the monitoring role of governance mechanisms, for the agency conflict free cash flow (Jensen, 1986). As manager of the company with surplus cash are more likely to spend money for himself, and not maximizing the company's activities for shareholders, therefore, a strong corporate governance system is needed for these companies (Chi and Scott- Lee, 2010, Dittmar and Mahrt-Smith, 2007, Harford et.al, 2008, Lee and Lee, 2009). Instead, the corporate governance system has a small role in the company with a low free cash flow due to the management of these companies do not wish to invest more (Chi and Scott - Lee, 2010). In addition, companies with low free cash flow is usually associated with external financing to fund their investment opportunities.

Apart from the factor of excess cash, growth prospects are also considered as an important factor in the agency conflict free cash flow. This is due to the fact that if companies with high growth prospects compared to those with low growth prospects, companies with high growth prospects are able to take advantage of all the money available to finance their projects with positive results (Jaggi and Gul, 1999).

In emerging markets, Lee and Lee (2009) in Al Dhamari (2012) have provided evidence that the valuation of the company can be improved by forming a strong board structure and the relationship is more prominent in the company with excess cash and managers that are rooted. Additionally, Dittmar and Mahrt - Smith (2007) found that the old public documents stating earlier that the high ownership, by monitoring companies' use of cash "will increase the valuation of the company with excess cash. Because corporate governance is used to improve the valuation of companies with high free cash flow, the researchers expect the benefits of governance mechanisms to improve the usefulness of reported earnings to be more prominent when the agency conflict surplus of free cash flow is more severe. The higher the agency conflict free cash flow in the company, the more likely the company will employ strong elements of governance mechanisms to address this problem and to ensure a reliable profit reporting. As the result, the market will react positively to the elements and the relationship between governance mechanisms and the earnings quality will be stronger. The hypothesis is as follows:

**H4: The interaction of independent boards with surplus of free cash flow has significant effect on earnings quality.**

**H5: The interaction of CEO duality commissioners with surplus of free cash flow has significant effect on earnings quality.**

**H6: The interaction of the independent audit committee with surplus of free cash flow has significant effect on earnings quality.**

e. Control Variables

This study used firm size variable and proxied by corporate assets that have been natural logarithm applied, which follows a previous study conducted by Al Dhamari and Ku Ismail (2012) that using the same control variable, the firm size. In this study, there is evidence of a negative relationship between the firm size and the quality of earnings.

### 3. Research Method

This study aims to analyze the causality that is used to describe the influence of the independent variables, namely corporate governance as measured by variables independent board, CEO duality commissioners, and independent audit committee, on the dependent variable, namely the earnings quality and free cash flow as moderating variable. The population in this study is based on companies that engaged in the field of property, real estate, and building construction and listed in Indonesia Stock Exchange (IDX) 2010-2012.

Sample research method used is purposive sampling. Data analysis method used is descriptive statistical methods, the classical assumption, the coefficient of determination and hypothesis testing. Hypothesis testing of this study is using multiple regression analysis and regression analysis moderate and treated with SPSS 21.

### 4. The research and measurement of operating variables.

a. Earnings quality

In this study, after testing the representational faithfulness of financial statements, it is assumed that the change in earnings is associated with changes in cash flows and that the change in earnings are the high-quality earnings,

therefore representational faithfulness is measured by this following calculation (Surifah, 2010):

$$KL = \frac{\text{Changes in operating cashflow}}{\text{Changes in operating income}} \times 100\%$$

b. Independency of the board of commissioners.

The proportion of independent board in this study was measured by dividing the number of independent board with the total number of commissioners.

c. CEO Duality in board of commissioners.

This variable is measured by a dummy variable that is 1 if only served as the commissioners and 0 if served as commissioners and also served as the CEO.

d. The independent audit committee

This variable is measured by the proportion independent audit committee's non commissioneris with all members of the audit committee.

e. Surplus of free cash flow

FCF for every company is calculated as:

$$\text{FCF} = \text{Net cash provided by operating activities} - \text{Capital expenditures} - \text{Dividends}$$

Surplus of free cash flow is a dummy variable, which is 1 for companies that have free cash flow (FCF), and is above the average of the sample and the growth rate (proxied by the price-to-book ratio - PBR) below the sample average for each year observations), and 0 for a company that does not have the agency conflict of FCF. In other words, a company is said to have agency conflict of free cash flows if the company FCF is high but its growth opportunity is low.

Growth opportunities proxied by the price-to-book ratio (PBR). High PBR indicates that investors perceive that the company has high growth opportunities. Thus, the chance of growth is measured by the ratio between the price per share and book value per share as used by Chung et.al (2005). PBR shows the difference between the market value of equity and book value of equity. This difference reflects the value of the opportunity to invest in the future (Gul and Tsui, 1998). The greater this ratio, the greater is the value of growth opportunities.

$$\text{PBR} = \text{Book Value} / \text{Price}$$

PBR: price per share divided by the book value per share (price-to-book ratio).

PRICE: stock price per share at the end of the year.

BV: The book value of equity per share at the end of the year.

f. Firms Size

This study uses variable which is the firm size and proxied by corporate assets that have been natural logarithm applied, which follows a previous study conducted by Al Dhamari and Ku Ismail (2012).

## 5. Data analysis method

To test the hypotheses above, this study will use two regression models. Model 1 is using multiple regression analysis and model 2 is using moderate regression analysis.

### Model 1:

$$\text{EARNQUA} = a + \beta_1 \text{COMIND} + \beta_2 \text{CEODUAL} + \beta_3 \text{ACIND} + \beta_4 \text{SIZE} + e$$

EARNQUA = earning quality

a = constant

$\beta_1, 2, 3, 4$  = coefficient of regression

COMIND = independent directors of the board

CEODUAL = CEO duality in board of commissioners

ACIND = independent audit committee

SIZE = firms size

e = Error

### Model 2:

$$\text{EARNQUA} = a + \beta_1 \text{COMIND} + \beta_2 \text{CEODUAL} + \beta_3 \text{ACIND} + \beta_4 \text{SIZE} + \beta_5 \text{SFDCF} + \beta_6 \text{COSDCF} + \beta_7 \text{DUSDCF} + \beta_8 \text{ACSFDCF} + \beta_9 \text{SZSFDCF} + e$$

EARNQUA = earning quality

a = constant

$\beta_1, 2, 3, 4$  = coefficient of regression

COMIND = independent directors of the board

CEODUAL = CEO duality in board of commissioners

ACIND = independent audit committee

SIZE = firms size

## 6. Analysis and discussion

### a. Classical Assumption Test

#### i. Normality Test

Normality test aims to test whether the dependent and independent variables in the regression model are normally distributed (Ghozali, 2009). In this study, the normality test is done by using Kolmogorov-Smirnov non-parametric test (KS). Basis for the decision on the KS test is by looking at the data significance probability residual value. If the probability is above 0.05 then  $H_A$  is rejected which means the variables are normally distributed (Ghozali, 2009) (see table 1).

#### ii. Multicoloniarity test

Multicoloniarity test aims to test whether there is a correlation between the independent variables (independent) in the regression model. Multicoloniarity test can be done by analyzing the correlation matrix of independent variables, if there is a quite high correlation between the independent variables (generally above 0.95), then it is an indication of multicoloniarity (Ghozali, 2009). (See attached table 2).

#### iii. Heterocedastisity test

Heterocedastisity test results is obtained by using the Glejser test heterocedastisity which performed for the absolute score of the residuals regressed against independent variables. All independent variables have significant numbers above 0.05. This indicated that in the regression equation does not occur heterocedastisity (see Appendix Table 3).

#### iv. Auto correlation test

Judging from the Durbin-Watson score, it can be seen that the two models are not experiencing auto correlation (see attached table 4 and 5).

### b. Hypothesis testing and study

#### i. Regression analysis of model 1

The coefficient of determination of Adjusted R Square is equal to 0,305. This means that 30,5% of earnings quality variable can be explained by independent board, CEO duality board of commissioners, independent audit committees and firms size variables. While the remainder is equal to  $(100\% - 30,5\%)$  69,5% is explained by other factors that are not known and are not included in the regression analysis in this study (see Appendix Table 4). F-test resulted in significant value of 0.000, and since the significance value is less than 0.05, it can only be concluded that the regressed model 1 is usable and feasible to test the data or that the independent boards, CEO duality board of commissioners, independent audit committees and firms size variables jointly affect the earnings quality (see Appendix Table 6).

The results of the t test showed that  $H_1$  is supported so it means that independent board of company has significant influence on the earnings quality at significance level of 10%, with a significance value of 0.089. The results of this study support the results of other studies that have been conducted by Boediono (2005), Farida (2012) and Taruno (2013). The results on the effectiveness of the board of commissioners as part of the internal mechanism for overseeing the financial reporting to generate earnings quality has a significant influence on the earnings quality which indicates that effective monitoring is already effective.

The test result for CEO duality board of commissioners has 0,000 smaller significance than  $\alpha = 0:05$  with 0.466 as the beta coefficient value. This result means that  $H_2$  is supported so it means that CEO duality board of commissioners has significant impact on earnings quality, the analysis result of this study is that when company does not hav a chairman who acted as both CEO and member of the boards, the level of their earnings quality is better than company that has a chairman who also served as member of the boards.

The test result for independent audit committee variable showed significance value for 0,579, bigger  $\alpha = 0:05$ . The beta coefficient's result is 0.245. This shows that  $H_3$  is not supported so that it can be interpreted as the independent audit committee does not have significant relationship to earnings quality. These results support the research conducted by Hamdan et al, (2013) and Rachmawati and Triatmoko (2007), The hypothesis regarding the relationship between independent audit committee on earnings quality is rejected because of the audit committee whose task to provide oversight for the financial reporting process has not been effective yet. The test results for firm size variable showed significance, for 0,154 greater  $\alpha = 0:05$ , with -0,026 as the beta coefficient. Based on that finding evidence, it means that firm size variable is not significant and has negative effect on earnings quality (see attached table 8).

#### ii. Regression Analysis of Model 2

Results Adjusted R Square for model 2 is equal to 0.263, this means that 26.3% of earnings quality variables can be explained by the independent variables (see Appendix Table 5). F-test resulted significance value of 0.000, and since the significance value is less than 0.05, the conclusion is that the regressed model is usable and feasible to test the data or it can be said that the independent variables with surplus of free cash flow jointly affect the earnings quality (see Appendix Table 7).

The result of t-test showed that independent commissioners variable who interact with surplus of free cash flow has 0,806 of significance value and greater than  $\alpha = 0:05$ . This suggests that the independent board whom



interacts with surplus of free cash flow does not have a significant effect. This hypothesis is rejected, the results of this study indicate that the surplus of free cash flow variable as the moderating variable can not affect the relationship of independent commissioners with earnings quality. In other word, independent directors have not been able to improve the earnings quality when agency conflict of surplus free cash flow arised.

Test result for H5 that CEO duality board of commissioners variable that interacts with surplus of free cash flow has 0,550 significance value which means it is greater than  $\alpha = 0:05$  and has beta coefficient for -0,150. This suggests that CEO duality board of commissioners variable who interact with a surplus of free cash flow does not have any influence significantly influence. This hypothesis is rejected. These result is the same as the research conducted by Al Dhamari and Ismail (2012). Chi and Lee (2010) provide evidence which stated that in companies with high free cash flow there is a negative relationship between CEO duality and firm value where this negative correlation is statistically significant and affect the level of earnings quality. Moreover, KW Lee and CF Lee (2009) concluded that when compared to other companies, a significant negative correlation between the value of the company and CEO duality is expressed in the company with excess cash or cash flows. The test results of independent audit committee variable that interacts with surplus of free cash flow has 0,384 greater significance value than  $\alpha = 0,05$  while the beta coefficient is at 0,453.

This shows that that the independent boards variable that interacts with surplus of free cash flow does not have a significant effect. Then, this hypothesis is rejected, Rahman and Ali (2006) and Petra (2007) also provide evidences which stated that the independent audit committee does not have a significant relationship with the quality of reporting in company's profits. The agency conflict in surplus of free cash flow is capable to act as the moderating variable of independent audit committee to earnings quality. Independent audit committee with large proportion of members will be more effective to oversight and to control over the company's cash management discretion and that the relationship between independent audit committee and earnings quality will be more evident in companies with high SFCF (see Appendix Table 9).

## 7. Conclusion

1. Independent directors of the board has significant effect on earnings quality.
2. CEO duality board of commissioners has significant effect on earnings quality.
3. The independent audit committee variable has no significant influence on earnings quality
4. The independent board of commissioners that interacts with the surplus of free cash flow does not significantly influence the earnings quality.
5. CEO duality board of commissioners variable that interacts with surplus of free cash flow does not significantly influence the earnings quality.
6. The independent audit committee variable that interacts with surplus free cash flow does not significantly influence the earnings quality.

## 8. Implications

Profit is the most important information in the financial statements. Therefore, every company should have earning can be classified as the high-quality earnings. For companies, the manager along with his staff must be able to control the profits of the company and presenting the earnings based on real situation. Because, even the small earnings management activity will affects the earnings, and if the investor and shareholders detected this, it will resulted to a lack of confidence over the company's financial statemens, adversely affect the company.

## 9. Suggestions

1. Future studies may consider using sample of all companies that listed in the Stock Exchange as the study population.
2. Measurement of the earnings quality variable in future studies may use other alternative, example; discretionary accruals.
3. The researcher can then add other independent variables such as managerial ownership, institutional ownership, leverage, etcetera to determine the factors that influence the earnings quality in company's financial statements.

**ATTACHMENT**

**Table 1**

**Normality Test**

**One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residual
N		75
Normal Parameters <sup>a,b</sup>	Mean	,0000000
	Std. Deviation	,25576537
Most Extreme Differences	Absolute	,107
	Positive	,107
	Negative	-,093
Kolmogorov-Smirnov Z		,926
Asymp. Sig. (2-tailed)		,358

a. Test distribution is Normal.

b. Calculated from data.

**Table 2**

**Multicollinearity Test**

**Coefficient Correlations<sup>a</sup>**

Model		SZSF CF	COMI ND	ACIN D	SIZE	CEODUA L	DUSFC F	ACSF F	COSFC F	SFCF
Correlations	SZSFCF	1,000	,341	-,295	-,944	-,017	-,006	,271	-,302	-,946
	COMIND	,341	1,000	,200	-,362	-,296	,225	-,179	-,940	-,102
	ACIND	-,295	,200	1,000	,313	-,464	,352	-,894	-,188	,508
	SIZE	-,944	-,362	,313	1,000	,018	-,014	-,280	,340	,890
	CEODUAL	-,017	-,296	-,464	,018	1,000	-,759	,415	,278	-,104
	DUSFCF	-,006	,225	,352	-,014	-,759	1,000	-,359	-,230	,055
	ACSF	,271	-,179	-,894	-,280	,415	-,359	1,000	,174	-,501
	COSFCF	-,302	-,940	-,188	,340	,278	-,230	,174	1,000	,056
	SFCF	-,946	-,102	,508	,890	-,104	,055	-,501	,056	1,000
	SZSFCF	,004	,018	-,019	-,003	,000	-9,264E-005	,020	-,017	-,108
Covariances	COMIND	,018	,687	,175	-,018	-,047	,047	-,175	-,687	-,157
	ACIND	-,019	,175	1,114	,019	-,093	,093	-1,114	-,175	,990
	SIZE	-,003	-,018	,019	,003	,000	,000	-,019	,018	,096
	CEODUAL	,000	-,047	-,093	,000	,036	-,036	,093	,047	-,036
	DUSFCF	-9,264E-005	,047	,093	,000	-,036	,063	-,106	-,051	,026
	ACSF	,020	-,175	-1,114	-,019	,093	-,106	1,393	,181	-1,092
	COSFCF	-,017	-,687	-,175	,018	,047	-,051	,181	,777	,092
	SFCF	-,108	-,157	,990	,096	-,036	,026	-1,092	,092	3,413

a. Dependent Variable: EARNQUA

**Table 3**  
**Heterocedasticity Test**  
**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	-1,487	,949		-1,566	,122		
COMIND	,590	,416	,254	1,418	,161	,410	2,441
CEODUAL	,045	,107	,101	,422	,675	,230	4,352
ACIND	,507	,492	,355	1,031	,307	,111	9,003
SIZE	,042	,034	,428	1,222	,226	,107	9,332
SFCF	1,966	1,016	4,541	1,934	,057	,002	419,354
COSFCF	-,334	,296	-,334	-1,129	,263	,150	6,666
DUSFCF	,055	,144	,138	,386	,701	,102	9,796
ACSFCE	-,736	,521	-,865	-1,414	,162	,035	28,487
SZSFCF	-,055	,037	-3,592	-1,494	,140	,002	439,654

**Table 4**  
**Auto correlation test and coefficient determinant for Model 1**  
**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,585 <sup>a</sup>	,343	,305	,2629714	1,986

**Tabel 5**  
**Auto correlation test and coefficient determinant for Model 1**  
**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,594 <sup>a</sup>	,353	,263	,2707597	2,048

**Table 6**  
**F Test for Model 1**  
**ANOVA<sup>a</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2,524	4	,631	9,123	,000 <sup>b</sup>
	Residual	4,841	70	,069		
	Total	7,364	74			

**Table 7**  
**F Test for Model 2**  
**ANOVA<sup>a</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2,599	9	,289	3,939	,000 <sup>b</sup>
	Residual	4,765	65	,073		
	Total	7,364	74			



**Table 8**  
**T Test for model 1**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	,697	,575		1,212	,229
COMIND	-,462	,268	-,169	-1,726	,089**
1 CEODUAL	,466	,084	,546	5,549	,000*
ACIND	,245	,439	,055	,557	,579
SIZE	-,026	,018	-,141	-1,441	,154

**Table 9**  
**T Test Model 2**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	,387	1,731		,224	,824
COMIND	-,294	,829	-,107	-,354	,724
CEODUAL	,514	,190	,601	2,706	,009
ACIND	-,037	1,055	-,008	-,035	,972
1 SIZE	-,016	,058	-,084	-,267	,790
SFCF	,455	1,847	,550	,246	,806
COSFCF	-,217	,882	-,133	-,246	,806
DUSFCF	-,150	,250	-,197	-,601	,550
ACSFCF	,453	1,180	,209	,384	,702
SZSFCF	-,014	,062	-,466	-,218	,828

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