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The Impact of Free Cash Flow and Good Corporate Governance (GCG) Earning Management of the Banking Companies Listed on the Indonesia Stock Exchange

Ratna Mappanyukki, Haryo Dwi Prakoso, Soni Agus Irwandi
Doctoral student of Accounting, Faculty of Economics and Business
Diponegoro University, Semarang, West java-Indonesia

Department of Accounting, Faculty of Economics and Business
Mercu Buana University, Jakarta-Indonesia

A. Background research

According to the Statement of Financial Accounting Concepts (SFAC) No. 1, the earnings information is a major concern for measuring performance or accountability of management. Earnings information also helps the owner or other party in measuring the power company's earnings in the future. This has created an opportunity for management to take action that can make financial reports into looks better, the manager's actions sometimes conflict with the company's goals. In defiance of the one form is earnings management (earnings management) (Mohammad Sani *et all* 2012).

Earnings management is the impact on the freedom of a manager to choose According to Healy and Wahlen (in Theresia, 2005) earnings management is the management's efforts to change the financial statements intended to mislead shareholders who want to know the company's performance or to effect a financial report containing the earnings information. Earnings management is the impact of a manager the freedom to select and use certain accounting methods when record and organize information in the financial statements.

The concept of corporate governance is in essence calls for better transparency to all users of financial statements. Based on these financial statements, it will be seen whether the performance of the company has good governance and effective (good corporate governance) and the governance of whether it can reduce the opportunistic behavior of management within the company (Cornett *et all*, 2008).

The study concluded that an independent commissioner has positive effect but not significant to earnings management or profit management. Sylvia Veronica N.P. Siddharta Sirregar and Main (2005), the proportion of independent directors and a significant negative effect on the income smoothing (earnings management) oporunitis. Cornet et.al (2006). Institutional ownership has no significant effect on earnings management. The bigger the stake, the smaller the earnings management practices that occur. Palestine (2006) and Nuryaman (2008)

Companies with free cash flow (free cash flow) is high will have greater opportunities to make profit management, because the company indicated face greater agency problems (Chung et al, 2005). Free cash flow or free cash flow is defined as cash flow actually available for distribution to shareholders and creditors after the company invested in fixed assets and working capital needed to sustain the operations of the company. Brigham and Daves (2003)

The object of research in this study is perbankan.Industri banking industry has different characteristics with other industries. The banking industry has tighter regulation than any other industry, for example, a bank must have a Capital Adequacy Ratio (CAR) minimum and provide financial statements as a healthy determination whether or not a bank by Bank Indonesia

Free cash flow Variable positive influence on income smoothing practices. according Negrea (2009) good corporate governance is the proportion of independent board significant positive effect on earnings management. Muh.Arief Ujiyantho (2007) Partially independent board which is a negative effect on earnings management. Is'da Rahmawati (2013) Based on the background that has been presented, the consistency is not the research that has been there a reason to re-examine the research title "Effect of Free Cash Flow and Good Corporate Governance (GCG) Profit Management Of The Banking Companies listed in Indonesia Stock Exchange Year 2010-2013 "to be important to investigate.

B. Problem Formulation

Based on the description of the background issues that have been described above, then that becomes a problem on penelititan formulation are:

1. Is Free Cash Flow effect on Earnings Management?
2. Is the Committee Commissaries effect on Earnings Management?
3. Is the Committee Audit an effect on Earnings Management?
4. What is the effect on the Institutional Ownership Earnings Management?

C. Objectives and Research Contribution
In connection with the background as well as the formulation of the problem as has been mentioned above, this study is intended to try to study and assess the influence of Free Cash Flow and Good Corporate Governance on Earnings Management, as for the purpose of this study is:
1. To determine the effect of the Free Cash Flow Earnings Management.
2. To determine the effect of the Board of Commissioners, Audit Committee, Institutional Ownership on Earnings Management.

D. The contribution of this research:
1. For the management
   This research is expected to provide insight to management to avoid earnings management actions that can harm self and companies in the public eye and can reduce public confidence in the company.
2. For investors
   This research is expected to provide information to investors to assess the performance of the company before investing in a company.

Literature review and Hypotheses

A. Literatur Review

1. Teori Agency (Agency Theory)

Perspective agency relationship is the basis used to understand the corporate governance.Menurut Jansen and Meckling (1976) agency theory is: "The theory that reveals the relationship between the owner (principal) and management (agent). This theory explains that the agency relationship arises when one or more persons (the principal) employs another person (the agent) to provide a service and then delegate decision-making authority to the agent ".

The onset of earnings management can be explained by the theory of agency. As an agent, manager morally responsible to optimize the benefit of the owner (principal) and in return will receive compensation according to the contract. According to Jensen and Mecking (1976)), this agency theory states that an agency relationship arises when one party (principal) hired another party (the agent) to perform some services on its behalf which involves delegating some decision-making authority to the agent. Principals are stockholders or investors, while the agent in question is the managing company's management.

2. Financial Statements

Agency theory mengehendaki their clear separation between the owner and manager of Integration led to the owner no longer involved in the management of the company and the management is done by people who are considered professional and trusted owner Integration.

The financial statements is to present reliable information regarding the company's assets, liabilities companies, corporate profits, and other information that is appropriate or relevant to the decision of the wearer.

3. Earning management

a. Definition of Earning Management
   Earnings management can be interpreted as an act of management that affect reported earnings and provide economic benefits to the company wrong, so that in the long run it would be very disturbing even jeopardize the company (Merchant and Rockness, 1994)

b. Factors Earning Management
   According to Scott (1997: 352-364), there are several factors that encourage managers perform earnings management practices, namely:

1. Planning Bonus
   These factors disclosed by Healy (1985), that the manager who had information on the company's net profit will act opportunistically to maximize earnings management with current profit.
2. Other Motivation
   Another factor that may encourage managers to perform earnings management is politics, taxes, CEO turnover, IPO, and the importance of information to investors.

a) Political Motive
   Earning management is used to reduce the company's reported earnings publik.Perusahaan tend to reduce reported earnings because of the public pressure that caused the government set more stringent regulations.

b) Tax Motif
   Motivation tax savings motivates most nyata.Berbagai earnings management accounting method used for the purpose of income tax savings.

c) Substitution CEO
   CEOs nearing retirement will tend to raise revenue to increase their bonus and if the company's performance poor will maximize revenues in order not to be dismissed.

d) IPO (Initial Public Offering)
   Information on the profit into a signal on the company's value on the company that will conduct an IPO. This

implies that the company manager akango pubic perform managementmenaikan earning the company's stock price.

e) The Importance of Providing Information to Investors

Information on the company's performance should be presented to investors that earnings reporting needs to be presented so that investors still judge that the company is in a good performance.

3. Good Corporate Governance

a. Definition Good Good Corporate Governance

According to the Organization for Economic Co-operation and Development (OECD), Corporate Governance, namely:

"Corporate governance is the system by the which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities of participants Among different in the corporation, such as, the board managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, It also Provides the structure through the which the company objectives are set, and the means of Attaining Reviews those objectives and monitoring performance. "

Good Corporate Governance Practices in Commercial Banks in Indonesia was reinforced by the release of Bank Indonesia Regulation Number 15/15 / DPNP / 2013 dated 29 April 2013 regarding the implementation of Good Corporate Governance for Banks. Definition of Good Corporate Governance is a procedure Keola Banks that apply the principles of openness (Transparency), accountability (accountability), liability (responsibility), independency (independency) and fairness (fairness).

b. Principles of Corporate Governance PrinsipGood

Explanation for the GCG principles are as follows:

1) Transparency (Transparency)

Basic principles to maintain objectivity in doing business, companies must provide material and relevant information in a way that is easily accessible and understood by stakeholders.

2) Accountability (Accountability)

Basic principles Companies must be accountable for performance in a transparent and fair. Therefore, the company must be properly managed, scalable, and according to the company while taking into account the interests of shareholders and other stakeholders. Accountability is a necessary precondition to achieve continuous performance.

3) Responsibility (CSR)

Companies must comply with legislation and to implement responsibilities towards society and the environment so that it can maintain the continuity of the business in the long term and to be recognized as a good corporate citizen.

4) Independence (independency)

To accelerate the implementation of the GCG principles, the company must be managed independently so that each organ of the company does not dominate the other and can not be interfered with by other parties.

5) Fairness and Equality (Fairness)

In conducting its activities, the company must always take into consideration the interests of shareholders and other stakeholders based on the principles of fairness and equality.

c. Independent Commissioner

Commissioners describe the culmination of the company's control system. Commissioners have a dual role, namely: a role for monitoring and validated (ratification). Monitoring functions performed by the board of commissioners is affected by the number or size of the board of commissioners for the implementation of effective control, the board of directors include the members of the Management of outside independent.

The existence of an independent Commissioner stipulated in Bank Indonesia Regulation Number 15/15 / DPNP / 2013 dated April 29, 2013, the Independent Commissioner is set at less than 50% (fifty percent) of the total number of Commissioners.

d. The Audit Committee

Based on Bank Indonesia Regulation Number 15/15 / DPNP / 2013 dated April 29, 2013, the Board of Commissioners must make up at least Audit Committee, Remuneration and Nomination Committee, in order to support the effectiveness of the duties and responsibilities of the Board of Commissioners.

The third important role in the corporate governance committee, namely:

Audit Committee (Audit Committee) Provides an overview of the problem of accounting, financial reporting and explanation, the internal control systems as well as the independent auditor (www.cic-fcgi.org).

Klein (2002) in Siallagan and Machfoedz (2006), provides empirical evidence that companies that establish independent audit committees reporting profits with the content of discretionary accruals smaller than the Integration which do not form an independent audit committee.

e. Institutional ownership

Institutional ownership is the percentage of voting rights amount dimiiki by institutions (Beiner et.al. in Ujiyantho and Scout, 2007) institutional .Kepemilikan has the ability to control the management through effective monitoring process. Cornet et al, (2006: 14) found evidence that the control measures undertaken by a company and the institutional investors can restrict the behavior of the manager.

4. Free Cash Flow

a. The definition of Free Cash Flow

Rose et al (2000) defines free cash flow as the company's cash that can be distributed to creditors or shareholders who are not used to working capital or an investment in fixed assets. Free cash flow shows a picture for investors that the dividend distributed by the company are not merely "strategy" around the market with the intention of increasing the value of the company.

Free cash flow is the cash flow of funds that can be distributed or made available for distribution to investors, both shareholders and lenders after deducting the company's investment in fixed assets and working capital to sustain the company's growth (Bambang Wahyudiono, 2014: 97).

b. Calculation of Free Cash Flow

Penman (2007) defines that free cash flow is the cash a company that can be distributed to creditors or shareholders is not required for working capital investment in fixed assets.

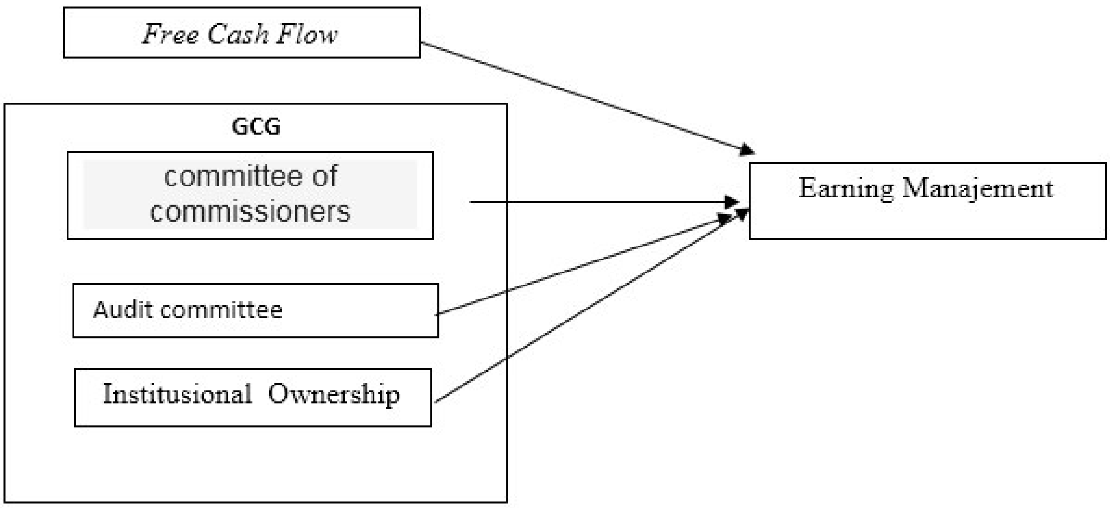


Figure 2.1.
Framework Research

Hypothesis

1. Free Cash Flow Against EarningManagement

Jensen (1986) states that if a company's free cash flow is not used or invested to maximize the interests of shareholders, then it can cause problems of agency. White et.al. (2003: 68) revealed that the besarfree cash flow available within an enterprise, the more healthy the company. Kangarluei *et al*. (2001) provide further evidence that the size of the FCF of a company does not have a significant effect on the occurrence of earnings management. From the results of the above studies, the hypothesis in this study are:

H1: Free Cash Flow effect on earnings management.

2. Effect of GCG Against Earning Management

Indicators of good corporate governance mechanisms as follows:

a. Independent Commissioner Against Profit Management

The role of the board of commissioners is expected to improve earnings quality by limiting the level of earnings management through the monitoring financial functions.Monitoring report conducted by the board of commissioners is affected by the number or size of the board of commissioners Vafeas (2006)

Companies that have a proportion of board members who come from outside the company or outside director can influence the actions of earnings management. Klein (2002). If the commissioners from outside increase surveillance measures, it also will be associated with the increasingly low use of discretionary accruals (Cornett et. Al., 2006).

Coalition shareholder outside the controlling shareholders do not have the ability to come together and affect earnings management practices in entities. Fromresults of several studies on the above hypothesis in this study are:

H2a: Independent Commissioner effect on earnings management.

b. The Audit Committee Against Erning Management

Independent audit committee reported earnings with a smaller accrual content compared with companies that do not form an independent audit committee. Klein (2002), tested the effectiveness of audit committees in reducing earnings management conducted by the management. His research states that the audit committee is able to protect the interests of shareholders of earnings management actions undertaken by management. Xie, Davidson and Dadalt (2003) hypothesis in this study are:

H2b: The Audit Committee effect on earnings management.

c. Against Institutional Ownership Earning Management

Evidence that the control measures undertaken by a company and the institutional investors can restrict the behavior of managers. Supervision or monitoring so that action can encourage managers to be more oriented to the interests of shareholders and reduce opportunistic actions are only concerned with their own interests. Cornett et.al. (2006),

Institutional ownership has a significant effect on earnings management. Results of research Wahyu (2010) In contrast to the results of research stating that institutional ownership has no effect on the results of several research earning management. From above, Ujiyantho (2007) and also Irawan (2013) hypothesis in this study are:

H2C: Institutional Ownership effect on earnings management.

RESEARCH METHODS

A. Design Research

The study design used in this research is causality. Method of causality research is research that describes the influence of the dependent variable with the independent variable is the effect of free cash flow and good corporate governance to earnings management. The data that will be used derived from the Indonesia Stock Exchange website is www.idx.co.id period of 2012 to 2015.

B. Definitions and Operationalization of Variable

The research model consists of two variables, namely the dependent variable and independent variables. The following is an explanation of the operational definition and measurement of each variable.

Table 3.1
Operational oVariables and Measurement Scale

No	Variabel	Measurement	Scale measurement
1	*Free Cash Flow* (X1)	FCS = CFO – CFI	Rasio
2	Independent Commissioner Board (X2)	$\frac{\text{Number of independent directors}}{\text{The total number of commissioners Companies}}$	Rasio
3	Audit committee (X3)	The number of the company's audit committee	Rasio
4	Institutional Ownership (X4)	$\frac{\text{shares owned by the institution}}{\text{Total outstanding share capital}}$	Rasio
5	Earning manajemen (Y)	DACCit = TACCit - NDACit	Rasio

Source:Data processed researchers in 2015

C. Population and Sample Research

Tabel 3.2 Selection Sample

No.	**Discription**	**Amount**
1	Banking firm located in Indonesia that has been listed in the Indonesia Stock Exchange (BEI) in 2012-2015	35
2	Companies that publishes financial statements and annual report in 2012-2015.	(15)
3	Companies in the study gained income position of the year 2012-2015	(2)
4	The Company reported Corporate Governance report (Corporate Governance) in 2012-2015.	(0)
	Companies are selected to be sampled	18
	Number observation period 2012-2015	
	Banking companies as much as 18 X 4 Years	72

D. Data collection technique

In this study the sources used are books of literature, libraries, scientific journals, internet, financial reports (annual report) and other sources that are relevant to the required data. Data contained in this study were obtained from the Stock Exchange in 2009 to 2013.

E. Method of Analysis

1) Descriptive Research

The data are normally distributed, skewness & kurtosis has a value close to zero (Ghozali, 2012).

2) Classical Assumption Test

Analysis of classical assumptions that must be met to make decisions is through the F test and t test should not be biased by normality test, multicollinearity, heteroscedasticity and autocorrelation test.

a) Normality Test
b) Test Multicolinearity
c) Test Heteroskidastity
d) Test Autocorrelation
3) Analysis of Statistics

Calculation of multiple linear regression analysis can be formulated:

Y = α + β1X1 + β2X2 + β3X3+ β3X4 e

Y	= Earning manajement
α	= Constanta
β1, β2, β3, β4	= Coefisien regresi variabel X1 X2 X3 &X4
X1	= free cash flow
X2	= The proportion of independent board
X3	= the size of the audit committee
X4	= institusional ownership
e	= element of disturbance (error)

RESULTS AND DISCUSSION

A. General description

This study took a sample of companies belonging to the banking companies are grouped according to the tabulation of data in the Indonesia Stock Exchange. In the sampling, using purposive sampling method.

TABLE 4.1 COMPANY NAME THAT IS THE SAMPLE RESEARCH

NO	COMPANY NAME	CODE
1	Bank Agroniaga Tbk	AGRO
2	Bank Capital Tbk	BACA
3	Bank Ekonomi Raharja Tbk	BAEK
4	Bank Central Asia Tbk	BBCA
5	Bank Bukopin Tbk	BBKP
6	Bank Nusantara Parahyangan Tbk	BBNP
7	Bank Rakyat Indonesia (Persero) Tbk	BBRI
8	Bank Pembangunan Daerah Jawa Barat dan Banten Tbk	BJBR
9	Bank Mandiri Persero Tbk	BMRI
10	Bank Bumi Arta	BNBA
11	Bank Cimb Niaga Tbk	BNGA
12	Bank Sinar Mas Multiartha Tbk	BSIM
13	Bank SwadesiTbk	BSWD
14	Bank Tabungan Pensiunan Nasional Tbk	BTPN
15	Bank Victoria International Tbk	BVIC
16	Bank Artha Graha Intrnasional Tbk	INPC
17	Bank Pan Indonesia Tbk	PNBN
18	Bank Ocbc Nisp Tbk	NISP

B. Descriptive Statistics

Before the development of the test of significant influence vaiabel free cash flow, independent directors, audit committee and institutional ownership to earnings management, it will first be reviewed concerning the description of the variables with descriptive statistical analysis. Descriptive statistical analysis results can be seen in the table below:

TABLE 4.2. DESCRIPTIVE STATISTICS

	N	Minimum	Maximum	Mean	Std. Deviation
EM	72	.0169	.4947	.246432	.1208631
CASHFLOW	72	6.0000	17.6071	11.939081	3.6771300
COMISARIS	72	.2500	.9309	.608501	.2170325
AUDITOR	72	.3753	.6901	.515424	.0764433
INSTITUSIONAL	72	.5850	.8695	.704692	.0733819
Valid N (listwise)	72				

C. Test Assumptions And Quality Research Instruments

1. Normality Test

TABLE 4.3

Normality test results Kolmogorov – Smirnov ONE-Sample Kolmogorov-Smirnov TEST

		UNSTANDARDIZED RESIDUAL
N		72
NORMAL PARAMETERSA,B	MEAN	.0000000
	STD. DEVIATION	.11006469
MOST EXTREME DIFFERENCES	ABSOLUTE	.075
	POSITIVE	.075
	NEGATIVE	-.060
TEST STATISTIC		.075
ASYMP. SIG. (2-TAILED)		.200

a. Test Distribution Is Normal.
b. Calculated From Data.

Source: Secondary Data That Has Been Processed in 2015

Table 4.3 above can be seen the value of the Kolmogorov Smirnov amounted to 0.75 with the Asymp.Sig significant (two-tailed) is equal to 0.200 greater than 0.05, the value showed significant value and it can be concluded that the data are normally distributed.

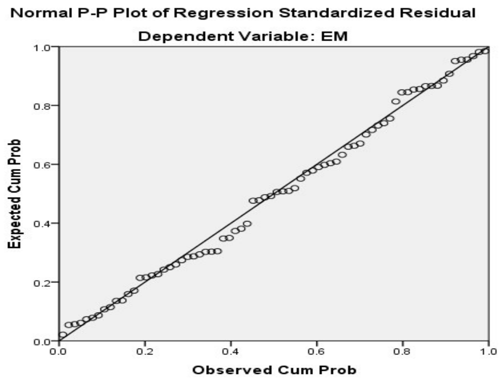


FIGURE 4.1.
FIGURE normality

Based on the chart above that the data spread value is reflected in the image shows the points spread around the line and follow the diagonal line. The graph above makes it clear that the regression model obtained normal distribution.

D. Test Multicollinearity

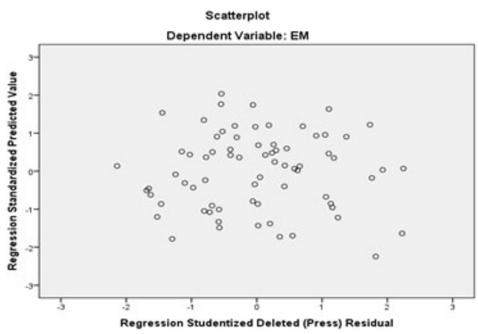
Multicolinearity test aims to test whether the regression model found a correlation between independent variables (Imam Ghozali, 2012). A good regression model should not happen correlation between the independent variables.

TABLE 4.4
TEST RESULTS MULTIKONLINEARITAS
COEFFICIENTS[A]

		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	T	Sig.	Tolerance	VIF
1	(Constant)	.503	.172		2.928	.005		
	Free Cash Flow	-.012	.004	-.370	-3.260	.002	.964	1.038
	Comisaris Independent	-.050	.063	-.089	-.788	.434	.970	1.030
	Audit Commitee	.211	.181	.133	1.164	.249	.944	1.060
	Ownership Institusional	-.270	.189	-.164	-1.431	.157	.944	1.059

Dependent Variable: EM
Source: Secondary data have been processed in 2015

The variables in this study have a tolerance value> 0,10dan VIF <10, which means there was no trouble multikonlinearitas.



E. Uji Heteroskedasitas

FIGURE 4.2 TEST RESULTS Heteroskidastity

In Figure 4.2 shows that the dots formed spread randomly scattered either above or below the number 0 on the Y axis, that is to say not happen heteroskedastitas.

F.Test Autocorrelation

TABLE 4.5
RESULTS autocorrelation
MODEL SUMMARYB

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.413 [a]	.171	.121	.1133026	2.151

FIGURE 4.3 REGIONAL CRITERIA TESTING autocorrelation

Based on the explanation above, it can be seen that DU <DW <4- DU or 1.7366 <2,151 <2.2634 so it can be concluded that there is no autocorrelation.

G. Testing Hypotheses

1. Simultaneous Regression Analysis (Test F)

The aim of this testing whether all the independent variables included in the model have influence together or simultaneously to the dependent variable is calculated using the F test.

TABLE 4.6
SIMULTANEOUS REGRESSION ANALYSIS (FR F)
ANOVA[A]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.177	4	.044	3.448	.013[b]
	Residual	.860	67	.013		
	Total	1.037	71			

a. Dependent Variable: Earnimg Management
b.Predictors: (Constant), Ownership Institusional, Independent commissaris, *Free Cash Flow*, Audit Committee
Source: Secondary data have been processed in 2015

Based on the calculation in table 4.6 above, ANOVA table values obtained F count amounted to 3,448 with probability 0.013. The probability figure is smaller than 0:05 (5%). This shows that the free cash flow, independent directors, audit committee and managerial ownership jointly effect on earnings management significantly

2. Partial Regression Analysis (Test T)

To test the relationship between the independent variables partially with the dependent variable, then used a statistical t-test. If significant levels of t less than the significance level α = 0.05, these variables have a significant relationship.

TABLE 4.7 PARTIAL TEST RESULTS (TEST T)
COEFFICIENTS[A]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	.503	.172		2.928	.005
FCS	-.012	.004	-.370	-3.260	.002
Commisaris	-.050	.063	-.089	-.788	.434
Auditor	.211	.181	.133	1.164	.249
Institusional	-.270	.189	-.164	-1.431	.157

a. Dependent Variable: EM
Source: Secondary data have been processed in 2015

The statistical test t basically shows how far the influence of the explanatory variables or an independent individual in explaining the dependent variable or by comparing t arithmetic with t table. If t count <t table then there is no significant impact, whereas if count > t table, then there is a significant effect

a. From the statistical test t in the table above 4.7 t count obtained free cash flow amounted to -3260 with a significance level of 0.002. From these results, the known value of variable significance of free cash flow is less than significant level α = 0:05. While the views of the value t count 3,260 worth of free cash flow is greater than t table (df = 72-4-1 = 67) worth 1,998, which means that H0 is rejected and H1 accepted. T value indicates that the variable negative free cash flow in the opposite direction have a relationship with variable earnings management. This study therefore declared free cash flow is partially significant effect on earnings management in the banking company in 2010-2013.
b. For components of the GCG average gained 0.28 significance level. Of the result known GCG significance value greater than the significant level α = 0:05. This study therefore concludes that the average component GCG partially no significant effect on earnings management in the banking company in 2010-2013.

c. For independent commissioner t value for 0788 with a significance level of 0.434. Of the result known independent commissioners significant value greater than the significant level α = 0:05. While the views of independent directors t value worth of 0788 is smaller than t table is (df = 72-4-1 = 67) worth 1,998, which means that H0 is accepted and rejected H2. This study therefore stated the board independensecara partially no significant effect on earnings management in the banking company in 2010-2013.
d. For the audit committee t value amounted to 1,164 with significance level of 0249. From these results, the known value of the audit committee of significance greater than the significant level α = 0:05. While the views of the t value of the audit committee amounting to 1,164 smaller than t table is (df = 72-4-1 = 67) worth 1,998, which means that H0 is accepted and rejected H3. This study therefore stated the audit committee partially no significant effect on earnings management in the banking company in 2010-2013.
e. For institutional ownership t value of -1431 with a significance level of 0.157. From these results, note the significant value of institutional ownership is greater than the significant level α = 0:05. While the views of the t value -1 431 worth of institutional ownership is smaller than t table is (df = 72-4-1 = 67) worth 1,998, which means that H0 is accepted and rejected H4. This study therefore declare institutional ownership partially no significant effect on earnings management in the banking company in 2010-2013.

3. Analysis of Coefficientof DeterminationR^2

The coefficient of determination (R^2) was used to measure the ability of the model to explain variations in an independent variable. Here are the results of calculation of the coefficient of determination hypothesis.

TABLE 4.8
RESULTS ANALYSIS DETERMINATION COEFFICIENT
MODEL SUMMARY[B]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.413[a]	.171	.121	.1133026	2.151

a. Predictors: (Constant), Institutional Ownership, Independent Commissioner, Free Cash Flow, Audit Committee
b. Dependent Variable: EM
c. Source: Secondary data have been processed in 2014

Adjusted R^2 of 0121, this means that 12.1% of earnings management variation can be explained by the Free Cash Flow, Institutional Ownership, Independent Commissioner, Audit Committee, while the remaining 87.9% can be explained by factors other than the independent variables.

H. Multiple Linear Regression Analysis

TABLE 4.9
RESULTS ANALYSIS OF MULTIPLE LINEAR

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	.503	.172	
	FCS	-.012	.004	- .370
	Commisaris	-.050	.063	-.089
	Auditor	.211	.181	.133
	Institusional	-.270	.189	-.164

Dependent Variable: EM
Source: Secondary data were processed in 2015

The regression equation that can be formulated in this study are:

DA = 0503 - 0:50 0.012Fcs- Commissioner + 0.211Audit - Institutional 0270

Summary results of linear regression analysis on the above table are described as follows:

A. Constant (a)

Value Constans (a) is equal to 0.503 means that if all the independent variables equal to 0, the value of earnings management would be worth 0.503.

B. Regression Coefficients (Bi)

a. Variable regression coefficient value of free cash flow amounted to -0.12. This means that if the amount of free cash flow increased 1% while other variables held constant, then the management will profit decreased by 1.2%.
b Variable regression coefficient value of -0050 Independent Commissioner. This means that if the number of Independent Commissioners increased 1% while other variables held constant, then the management will profit decreased by 5%
c. Variable regression coefficient value of the Audit Committee at +0211. This means that if the number of the

Audit Committee increased 1% while other variables held constant, then the management will profit increased by 21.1%.

d. Variable regression coefficient value of institutional ownership amounted to -0270. This means that if the number of institutional ownership increased 1% while other variables held constant, then the management will profit decreased by 27%.

E. Discussion

TABLE 4:10
SUMMARY HASI HYPOTHESIS TESTING

Code	Hipothesis Testing	conclusion
	Free cash flow does not affect the earnings management	**rejected**
	Independent Commissioner effect on earnings management	**accepted**
	The Audit Committee effect on earnings management	**accepted**
	Institutional Ownership effect on earnings management	**accepted**

1. Free Cash Flow Against Profit Management

Free cash flow (free cash flow) is the actual cash flows that can be distributed to investors after the company made all the investments and working capital needed to maintain continuity of operations (Sawir, 2004: 93). The results of this study are consistent with research Agustian (2013) which states that the free cash flow significantly negative effect on earnings management. This is because companies with high free cash flow likely will not perform earnings management, because of the absence of earnings management, the company has been able to increase its stock price.

2. Good Good Corporate Governance Against Profit Management

Based on the results of the research show that the variables GCG used in this study all had an influence on earnings management. It is because the application of GCG in the banking industry is relatively limited only to follow a growing trend at the moment and just to show compliance with the conditions imposed by the government. This is supported by the weak condition of certainty and the rule of law, culture and business environment that is family owned. The results also support the research Pretty Elisa (2014).

3. Independent Komisarais Against Profit Management

Based on the results of testing of the hypothesis 2a (H_2a) it is known that an independent commissioner has no effect on earnings management. This can be explained that the size of the board of directors is not a key determinant of the effectiveness of supervision of the management company, but the effectiveness of the control mechanism, depending on the values, norms and beliefs are acceptable in an organization and the role of the commissioners in control activities (monitoring) against management (Jennings, 2005).

Difficulties in supervising and controlling the actions of management, as well as the difficulty in making decisions that are useful for the company (Yermack, 1996) and (Jensen, 1993). Zhou and Chen (2004) showed that the size of the board of directors at commercial banks had no effect on earnings management, measured by loan loss provisions.

4. The Audit Committee Against Profit Management

Based on the results of the hypothesis 2b (H2b) states that the audit committee has no effect on earnings management. This result is consistent with Wisdom (2012) which concluded that the audit committee proved no effect on earnings management

5. Ownership Instisusional

Based on the results of the hypothesis 2c (H2C) states that institutional ownership has no effect on earnings management. The results of this study are consistent with the results of research Ujiantho and Scout (2007) which menyatkan that institutional ownership variable regression results do not affect the discretionary accrual at the 5% significance level.

This is because the institutional ownership does not have the ability to control the management so as not to reduce earnings management. This is also due to institutional investors do not act as sophisticated investors who have more ability and opportunity to monitor and discipline the managers to be more focused on the value of the companys.

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