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Original Research Article

The Effect of Profit Management on Corporate Value with Good Corporate Governance Mechanisms as Moderated Variables (Case Study in Property and Real Estate Companies Registered on the Indonesia Stock Exchange 2012-2017)

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Abstract

This study aims to analyze the effect of earnings management on firm value with the mechanism of Good Corporate Governance as a moderating variable. The sampling technique used was purposive sampling. The study was conducted on Property and Real Estate Companies listed on the Indonesia Stock Exchange in the period 2012-2017. The analytical method used is multiple regression analysis. The purpose of this study is to find out whether earnings management is able to influence the value of the company with the mechanism of Good Corporate Governance as a moderating variable. The expected results of this study are Profit Management that can influence the Corporate Value which is moderated by the Good Corporate Governance mechanism. The results of this study indicate that Profit Management has no effect on Firm Value. Simultaneously the four mechanisms of Good Corporate Governance, namely the Board of Independent Commissioners, Institutional Ownership, Managerial Ownership, and the Audit Committee have a significant positive effect on Firm Values. But partially only Audit Committees have a significant positive effect on Firm Value. While the variables of the Independent Board of Commissioners, Institutional Ownership, and Managerial Ownership do not affect the Firm Value. Of the four Good Corporate Governance mechanisms, only the Independent Board of Commissioners and Managerial Ownerships is a moderating variable that can weaken the effect of Profit Management on Firm Value.

Keywords: Earnings Management, Firm Value, Good corporate governance.

INTRODUCTION

Agency theory assumes that all individuals act for their own interests besides the agency theory also assumes agency relations, Indracahya & Anggraini [1]. As a company manager, the manager (agent) knows more about the company's internal information compared to the shareholder (principal). This situation creates asymmetric information which provides an opportunity for managers to act opportunistically in financial reporting, namely by carrying out earnings management. Lestari & Pamudji [2] said the principal needs to create a system that can monitor the behavior of agents to act according to their expectations.

The application of good corporate governance mechanisms is believed to limit opportunistic earnings management by company managers. Therefore, the application of good corporate governance mechanisms will minimize the possibility of earnings management. So that the increase in independent commissioners in the company can minimize earnings management actions taken by managers. Lestari & Pamudji [2] said the minimized earnings management actions will affect the quality of the financial statements which can be accounted for truthfully and not mislead users who will impact on the company's value.

In its application, according to Sutedi [3] Corporate governance has several mechanisms, namely external and internal mechanisms. The external mechanism is influenced by the company's external factors including investors, public accountants, lenders and institutions that certify legality. While internal mechanisms are influenced by internal factors including institutional ownership, managerial ownership, the board of independent commissioners and the audit committee.

This research is focused on the Property and Real Estate Sector. The Property and Real Estate sector was quite interesting starting from the global crisis in 2008 as cited by Sihono [4] which started from the superpower of the United States and spread to almost the entire world, including Indonesia which felt the impact of the crisis and one of the affected sectors the impact is the Property and Real Estate sector.

In previous studies, the influence of earnings management on firm value showed mixed results, including research Sugitha [5] states that earnings management has a positive and significant effect on firm value. However, it is different from the results of research by Herawaty [6], and Lestari & Pamudji [2] suggest that earnings management has a negative effect on firm value. Then the results are contrary to the research, namely, research conducted by Kristianti [7] and Darwis [8] suggests that earnings management has no effect on firm value.

Research on the effect of good corporate governance mechanisms on firm value also shows mixed results. Research by Kristianti [7] and Riana & Iskandar [9] stated that good corporate governance has a positive effect on Firm Value. Whereas Lestari & Pamudji [2] stated that the four corporate governance variables separately or as a whole did not have a significant effect on firm value.

The purpose of this study was to determine the effect of earnings management on firm value with a mechanism of good corporate governance as a moderating variable in property and real estate companies listed on the Indonesia Stock Exchange in 2012-2017.

LITERATURE REVIEW

Agency Theory

Agency theory according to Jensen and Meckling [10] explains how the parties involved in the company will behave because basically between the shareholders (principal) and the management as agents have different interests that cause agency conflict. Agency conflict occurs because of the separation between ownership and control of the company. The manager is obliged to give a signal regarding the condition of the company to the owner. The signal given can be done through the disclosure of accounting information such as financial statements. However, the information submitted is sometimes received not in accordance with the actual condition of the company. This condition is known as asymmetric information.

The asymmetry between management (agent) and the owner (principal) provides the opportunity for managers to act opportunistically, that is, to gain personal benefits. In terms of financial reporting, managers can conduct earnings management to mislead owners (shareholders) regarding the company's economic performance, Lestari & Pamudji [2].

Earnings Management

Earnings management is the actions taken by the company's management to manipulate reported earnings. The purpose of earnings management is to improve the welfare of certain parties (agents), although in the long run there is no difference in the company's cumulative profit with earnings that can be identified as a profit, Darwis [8].

Scott in Herawaty [6] explained that managers have the flexibility to choose several alternatives in recording transactions while at the same time choosing options in accounting treatment.

This flexibility is used by company management to manage earnings. Management behavior that underlies the birth of earnings management is the opportunistic behavior of managers and efficient contracting. As an opportunistic behavior, managers maximize their utility in dealing with compensation and debt contracts and political costs.

Firm Value

According to Riana & Iskandar [9] firm value is the amount received if the company is sold as a business that is operating. Wahyudi & Pawestri [11] revealed the firm value, in the end, can provide several aspects, one of which is the company's share price. The market price of the company is owned by investors. Investors will see the prosperity of a company one of them from the value of the company which can be seen from high low prices.

One alternative to measuring firm value is to use Tobin's Q. Riana & Iskandar [9] said this ratio is considered to provide the best information, because Tobin's Q includes all elements of the company's debt and capital stock, not only ordinary shares and not only the company's equity included but all of the company's assets. If Tobin's Q is above one, this shows that investing in assets generates profits that provide a higher value than investment expenditure, this will stimulate new investment. If Tobin's Q is below one, investing in assets is not attractive. So Tobin's Q is a more precise measure of how effectively management utilizes economic resources in its power.

Corporate Governance

Corporate Governance is a system that regulates and controls companies that are expected to provide and enhance corporate value to shareholders, Herawaty [6]. Kamil & Hapsari [12] explains that the essence of corporate governance is improving company performance through monitoring management performance and the existence of management accountability to stakeholders and other stakeholders based on the applicable rules and regulations.

The mechanism of corporate governance is a rule of the game, procedures and clear relationships between parties who make well decisions who exercise control/oversight of these decisions. Some of them are managerial ownership and audit committee. Managerial ownership is the proportion of ordinary shares owned by management (directors and commissioners). According to Shleifer and Vishny (in Perdana) [13], management ownership of company shares is seen to be able to align the potential differences in interests between outside shareholders and management. So the agency problem is assumed to be lost if a manager is also at the same time an owner.

As the party authorized by the board of commissioners, the audit committee is tasked with overseeing the financial reporting process within the company, so that the existence of an audit committee within the company will minimize the possibility of earnings management. Audit committees are not mandatory and do not always exist in small companies. The responsibilities of the audit committee include: overseeing financial statements, overseeing external audits, and observing internal control systems (including internal audits). Of the three responsibilities, supervision of financial statements and supervision of external audits are related to earnings management activities. Supervision of financial statements includes financial statements and accounting policies.

Previous Research

Herawati in her study entitled The Role of Corporate Governance Practices as a Moderating Variable of the Effects of Earning Management on Firm Value concluded that Corporate Governance significantly affected the firm value with the variable independent commissioners and institutional ownership. Managerial ownership will reduce the firm value while the audit quality will increase the firm value [6]. Independent commissioners, audit quality and institutional ownership are moderating variables between earnings management and Firm Value while managerial ownership is not a moderating variable.

Darwis [8] in his research entitled Earnings Management to Firm Value with Corporate Governance as a Moderator provides research results that earnings management has no effect on firm value, Managerial Ownership has no effect on the relationship between earnings management and firm value while institutional ownership influences the relationship between management profit to Firm Value.

In another study, Perdana [13] with the title Analysis of the Effect of Corporate Governance on Firm Value with the results of his research showed that institutional ownership, the Audit Committee, and External auditors did not have a significant effect on firm value. Meanwhile, managerial ownership and the proportion of independent directors significantly influence the firm value.

Whereas Riana & Iskandar [9] in their study entitled The Effect of Company Size, Corporate Governance and Capital Structure on Firm Value (Empirical Study of Mining Companies listed on the Indonesia Stock Exchange for the period of 2011-2014) concluded that Partially Company Size and Institutional Ownership influence on firm value, while the Board of Directors, independent commissioners, audit committee and capital structure do not affect the firm value. However, simultaneous Company Size, Institutional Ownership, Board of Directors, Independent Commissioners, Audit Committee and Capital Structure affect the Firm Value.

In addition, Kamil & Hapsari [12] examined the Effect of Earnings Management on Firm Value with Corporate Governance Mechanisms as a Moderating Variable with the results of their study which stated that earnings management had no effect on firm value, whereas corporate governance mechanisms were proxied by managerial ownership, institutional ownership, and independent directors simultaneously have a significant effect on firm value. Partially, managerial ownership and institutional ownership are moderating variables in the effect of earnings management on firm value, whereas independent commissioners are not moderating variables in the effect of earnings management on firm value.

Kristianti [7] also examined the effect of Good Corporate Governance as a Moderating Profit Management Relationship to Firm Value with the results of his research showing that earnings management had no effect on firm value, GCG had a positive effect on firm value and GCG as a moderating was unable to weaken the influence of earnings management on firm value.

Arfianti & Alvionita [14] in their research The Role of Good Corporate Governance on the Effect of Earnings Management on Firm Value shows the results that earnings management has a negative effect on firm value and the mechanism of good corporate governance can moderate the effect of earnings management on firm value.

Theoretical Framework

Based on the description previously stated and the literature review, the related variables in this study can be formulated through a framework of thought as follows:

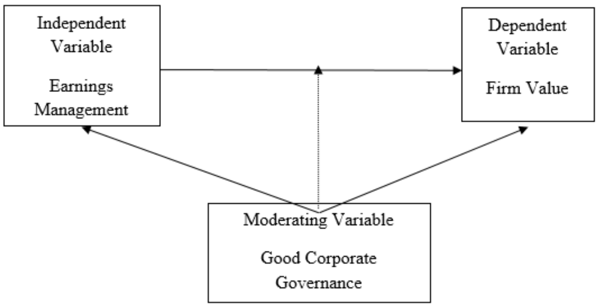

Fig-1: Theoretical Framework

Research Hypothesis

Based on the study of theory and the study of previous studies, a temporary hypothesis can be taken, namely:

- H_1: Earnings Management influences Firm Value
- H_2: The Corporate Governance Mechanism influences the Firm Value partially or simultaneously.
- H_{3a}: Profit Management influences Firm Value which can be weakened by the Board Independent Commissioner
- $H_{3b:}$ Profit Management affects Firm Value can be weakened by Institutional Ownership
- $H_{3c:}$ Profit Management affects the Firm Value can be weakened by Managerial ownership
- $H_{3d:}$ Profit Management has an effect on Firm Value which can be weakened by the Audit Committee.

RESEARCH METHOD

Type of Research

This research is a causal study that aims to test the hypothesis about the effect of one or several variables on other variables. Researchers used the research design to provide empirical evidence about earnings management and financial performance as an independent variable, Firm Value as the dependent variable, and good corporate governance as a moderating variable.

Variable Research and Operationalization

Firm Value (Dependent Variable)

Firm Value is the amount received if a company is sold as a business that is operating, Riana & Iskandar [19]. Firm Value is an illustration of the welfare of shareholders. The higher the value of the company, the more prosperous the owner can be. Firm Value is measured using Tobin's Q, with the formula:

$$\text{Tobin's Q} = \frac{\text{MVE} + \text{DEBT}}{\text{TA}}$$

Information:

Tobin's Q = Firm Value
MVE = closing stock price x number of outstanding shares (market value of equity)
DEBT = Total company debt
TA = Total assets

Earnings Management (Independent Variable)

The independent variable used in this study is earnings management. The measurement of earnings management uses the Discretionary Revenue (DR) using Stubben's [20] Conditional Revenue Model. Discretionary Revenue (DR) is calculated using the following formula:

$$\Delta AR_{it} = \alpha + \beta_1\,\Delta R_{it} + \beta_2\,\Delta R_{it} \times SIZE_{it} + \beta_3\,\Delta R_{it} \times AGE_{it} + \beta_4\,\Delta R_{it} \times AGE\_SQ_{it} + \beta_5\,\Delta R_{it} \times GRR\_P_{it} + \beta_6\,\Delta R_{it} \times GRR\_N_{it} + \beta_7\,\Delta R_{it} \times GRM + \beta_8\,\Delta R_{it} \times GRM\_SQ_{it} + \varepsilon_{it}$$

Explanation

ΔAR_{it} = Changes in company receivables i in year t
ΔRit = Changes in company revenue i in year t
SIZEit = Natural log of total assets of the company i in year t
AGE it = Natural log of company age i in year t
AGE_SQ it = The square of the natural log of the age of company i in year t
GRR_Pit = Growth rate in a revenue positive
GRR_Nit = Growth rate in a revenue negative
GRMit = Growth revenue margin
GRM_SQit = The square of the Company GRM i in year t
ε = error

Good Corporate Governance (Moderating Variable)

Good Corporate Governance in this study as a moderating variable is proxied by four mechanisms of Good Corporate Governance, including:

a. Independent Board of Commissioners

An independent commissioner is a party that has no affiliated relationship with a company and understands the laws and regulations in the field of capital markets (Directors' Decree of the Jakarta Stock Exchange No. Kep-315 / BEJ / 062000). The Independent Board of Commissioners can be calculated as follows:

$$\text{IBC} = \frac{\text{Number of Independent Commissioners}}{\text{Total Members of the Board of Commissioners}}$$

b. Institutional Ownerships

Institutional ownership is ownership of company shares by institutions outside management, such as banks, insurance institutions, investment companies and other institutions, Darwis [8]. Good Corporate Governance is considered able to overcome agency conflicts caused by principals and agents who have their own interests and are conflicting because agents and principals try to maximize their respective utilities. Therefore institutional share ownership is considered capable of reducing agency problems because it can control management in issuing policies that can harm shareholders, Pernamasari and Wahyudi [15]. This variable is measured by the percentage of shares owned by the institution at the end of the year and is given the symbol InstOwner:

$$\text{InstOwner} = \frac{\text{The number of shares of the institution}}{\text{Total Outstanding Shares}}$$

c. Managerial Ownerships

Boediono [16] said managerial ownership is the number of shares owned by the management of all the company's share capital managed. The large shareholding in economic terms has the incentive of aligning interests with principals, Herawaty [6]. Management ownership can be calculated as follows:

$$\text{InstOwner} = \frac{\text{The number of shares of the institution}}{\text{Total Outstanding Shares}}$$

d. Audit Committee Activity

An audit committee is a number of people determined by members of the board of commissioners responsible for overseeing the process of preparing financial reporting and disclosures. The number of audit committee meetings attended by members of the audit committee is a measure of the activity of the audit committee members. In order for internal control to run well, it is expected that the Audit Committee will improve its monitoring function on management by conducting regular Audit Committee meetings. Based on the Guidelines for the Establishment of the Audit Committee, FCGI [17], the Audit Committee must hold meetings at least every three months or four times during one year. With increasingly tight supervision, management will lose the opportunity to take fraudulent actions related to financial statements, Nabila & Daljono [18]. Audit Committee activities are calculated by counting the number of meetings attended by the audit committee.

Audit Committee Activities = Number of meetings attended by the audit committee

Population and Research Samples

The population used in this study are property and real estate companies listed on the Indonesia Stock Exchange during the study period (2012-2017). The research sample is determined based on purposive sampling which means the selection of samples based on certain criteria.

Data Collection Technique

The type of data obtained in this study is documentary data. Data sources used in this study are secondary data, including:

- Data on corporate audited financial statements for 2012-2017
- Indonesian Capital Market Directory (ICMD) for the period 2012-2017

The method used in the collection of research data was carried out with categories and classifications of written data relating to research problems, both from document sources, books, and other sources.

Data Analysis Method

Data analysis was performed using multiple linear regression analysis including descriptive statistical test analysis, simple linear regression test, multiple linear regression test, and moderated regression analysis.

RESULTS AND DISCUSSION

Description of Research Object

The research object data is obtained from Indonesia Stock Exchange which provides information on the company's financial statements by accessing the official website of the Indonesia Stock Exchange, www.idx.co.id. This research was conducted in Indonesia, where the object of the research center was a property and real estate company listed on the Indonesia Stock Exchange during the study period (2012-2017).

Results of Descriptive Statistics Analysis

Table-1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
MLaba	72	-,0360257	,0763309	,008732084	,0148636010
Tobins'Q	72	-,07	499,43	22,8781	80,49760
DKI	72	,28	,67	,4098	,10334
KI	72	,08	,96	,5935	,24951
KM	72	,0000012	,5774507	,085823303	,1650969597
KA	72	2,00	15,00	5,1528	2,65722
Valid N (listwise)	72				

From the results of the descriptive statistical test, information is obtained that Earnings Management variables have a range of values from -0.0360 to 0.0763 which is the lowest value namely PT Ristia bintang Mahkotasejati Tbk in 2015 and the highest value namely PT Ristia bintang Mahkotasejati Tbk in 2017. The average value of Earnings Management is 0.0087 and the standard deviation is 0.0149. This means that the data distribution is not too varied, the data is good enough to be used in the regression test, because the data distribution is close to the average value.

The Firm Value variables have a range of values from -0.07 to 499.43 which is the lowest value namely PT Ristia bintang Mahkotasejati Tbk in 2014 and the highest value PT Agung Podomoro Land Tbk in 2012. The average value of Firm Value is 22.8781 and the standard deviation is 80.4976.

The Independent Board of Commissioners variables has a range of values from 0.28 to 0.67 which is the lowest value namely PT Metropolitan Kentjana Tbk in 2016 until 2017 and the highest value namely PT Pakuwon Jati Tbk in 2012 until 2015. The average value of the Independent Board of Commissioners is 0.4098 and the standard deviation is 0.1033.

The Institutional Ownership variables have a range of values from 0.08 to 0.96 which is the lowest value namely PT Ciputra Development Tbk in 2014 and the highest value namely PT Agung Podomoro Land Tbk in 2015. The average value of Institutional Ownership is 0.5935 and the standard deviation is 0.2495.

The Managerial Ownership variables have a range of values from 0.0000012 to 0.5774507 which is the lowest value namely PT Duta Pertiwi Tbk in 2012 until 2013 and 2016 until 2017. The highest value namely PT Ristia bintang Mahkotasejati Tbk in 2017. The average value of Institutional Ownership is 0.08582 and the standard deviation is 0.1651.

The Audit Committee variables have a range of values from 2.00 to 15.00 which is the lowest value namely PT Metropolitan Kentjana Tbk in 2012. The highest value namely PT Agung Podomoro Land Tbk in 2016. The average value of Audit Committee is 5.1528 and the standard deviation is 2.6572.

Regression Equation

Regression models used in this study were 3 models, namely:

Table-2: Model 1

Model		Unstandardized Coefficients	
		B	Std. Error
1	(Constant)	20,391	11,086
	EM	284,799	646,411

a. Dependent Variable: FirmValue

This model is used to test the effect of Earnings Management on Firm Value proxied by Tobins' Q. Systematically the regression model is formulated as follows:

FirmValue = 20.391 + 284.799 EM + e

Where,

a. β0 = 20,391; meaning that if the Earnings Management is 0, then the Firm Value is 20,391

b. β1 = 284,799; meaning that if the Profit Management increases by 1, then the value of the company also increases by 284,799.

Table-3: Model 2

Model		Unstandardized Coefficients	
		B	Std. Error
1	(Constant)	-79,628	46,189
	IBC	-56,116	75,051
	InstOwner	50,586	36,707
	ManOwner	-,224	52,076
	AC	18,533	2,828

a. Dependent Variable: FirmValue
b. Predictors: (Constant), IBC, InstOwner, ManOwner, AC

This model is used to test the effect of the Good Corporate Governance Mechanism that is proxied by the Independent Board of Commissioners, Institutional Ownership, Managerial Ownership, and Audit Committee on Firm Values proxied by Tobins' Q. Systematically the regression model is formulated as follows:

FirmValue = -79,628 – 56,116 IBC + 50,586 InstOwner – 0,224 ManOwner + 18,533 AC + e

Where,

β0 = -79,628; this means that if the Independent Board of Commissioners, Institutional Ownership, Managerial Ownership, and Audit Committee variables are 0, then the Company's Value decreases by 79,628.

β1 = -56,116; this means that if the Independent Board of Commissioners variable increases by 1 person and the other variables are constant, the Company's Value decreases by 56.116.

β2 = 50,586; meaning that if the Institutional Ownership variable increases by 1 percent and the other variables are constant, the Corporate Value also increases by 50,586.

β3 = -0,224; this means that if the Managerial Ownership variable increases by 1 percent and the other variables are constant, the Company's Value decreases by 0.224.

β4 = 11,363; This means that if the number of meetings of the Audit Committee increases by 1 meeting and other variables are constant, the Company's Value also increases by 11,363.

Table-4: Model 3

Model		Unstandardized Coefficients	
		B	Std. Error
1	(Constant)	-102,784	48,014
	IBC	2,097	80,687
	InstOwner	51,175	48,734
	ManOwner	28,202	57,725
	AC	15,451	3,708
	EM.IBC	-2089,893	4388,420
	EM.InstOwner	66,123	2745,503
	EM.ManOwner	-2675,267	2852,106
	EM.AC	503,942	331,816

a. Dependent Variable: FirmValue

This model is used to test the effect of Earnings Management on Firm Value proxied by Tobins' Q, which is moderated by the Good Corporate Governance Mechanism proxied by the Board of Independent Commissioners, Institutional Ownership, Managerial Ownership, and the Audit Committee. The regression model is systematically formulated as follows:

FirmValue = -102,784 + 2,097 IBC + 51,175 InstOwner + 28,202 ManOwner + 15,451 AC– 2089,893 EM*IBC + 66,123 EM*InstOwner – 2675,267 EM*ManOwner + 503,942 EM*AC

Where :

β6 = -2089,893; meaning that if the Independent Board of Commissioners variable increases by 1 person, it will weaken the tendency of Profit Management by 2089,893.

β7 = 66,123; meaning that if the Institutional Ownership variable increases by 1 percent, it will strengthen the tendency of Profit Management by 66,123 units.

β8 = -2675,267; this means that if the Management of Capital Ownership variable increases by 1 percent, it will weaken the tendency of Profit Management by 267,267.

β9 = 503,942; this means that if the number of Audit Committee meetings increases by 1 unit it will strengthen the tendency of Profit Management by 503,942.

F-Test

Table-5: F-Test Model 2

ANOVA[a]						
Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	214277,368	4	53569,342	14,602	,000[b]
	Residual	245792,981	67	3668,552		
	Total	460070,349	71			
a. Dependent Variable: FirmValue						
b. Predictors: (Constant), IBC, InstOwner, ManOwner, AC						

Simultaneous test results in the regression model 2 showed the results of the F count of 14.602 while the F table obtained was 2.51 which can be concluded that the F count> F table. In addition the significance value indicates the value of 0,000 <0.005. So it can be concluded that simultaneously Good Corporate Governance mechanism significantly influences Firm Value. In other words the hypothesis proposed by the researcher is accepted.

Table-6: F-Test Model 3

ANOVA[a]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	233868,855	8	29233,607	8,142	,000[b]
	Residual	226201,494	63	3590,500		
	Total	460070,349	71			
a. Dependent Variable: Tobins'Q						
b. Predictors: (Constant), IBC, InstOwner, ManOwner, AC, EM.IBC, EM.InstOwner, EM.ManOwner, EM.AC						

Simultaneous test results on the regression model 3 show the results of F count of 8.142 while the F table obtained is 2.09 which can be concluded that the F count> F table. In addition the significance value indicates the value of 0,000 <0.005. So it can be concluded that simultaneous earnings management significantly influences Firm Value by being moderated by the mechanism of Good Corporate Governance.

Model Feasibility Test
Analysis of the Coefficient of Determination (R^2)

Table-7: The Coefficient of Determination Model 1

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	,053[a]	,003	-,011	80,95837
a. Predictors: (Constant), EM				

Based on the table above, the number R2 (R Square) is 0.003 or 3%. This means that the Earnings Management variable can hardly explain the company's Value variable. In other words the 97% Firm Value variable is explained by other variables not included in this study.

Table-8: The Coefficient of Determination Model 2

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	,682[a]	,466	,434	60,56857
a. Predictors: (Constant), IBC, InstOwner, ManOwner, AC				

Based on the table above, the number R2 (R Square) is 0.466 or 46.6%. This means that the Good Corporate Governance Mechanism variable can explain the Firm Value variable of 46.6%. The remaining 53.4% is explained by other variables not included in this study.

Table-9: The Coefficient of Determination Model 3

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	,713[a]	,508	,446	59,92078
a. Predictors: (Constant), IBC, InstOwner, ManOwner, AC, EM.IBC, M.InstOwner, EM.ManOwner, EM.AC				

Based on the table above, the number R2 (R Square) is 0.508 or 50.8%. This means that the Earnings Management variable moderated by the Good Corporate Governance Mechanism, namely the Independent Board of Commissioners, Institutional Ownership, Managerial Ownership, and the Audit Committee can explain the variable Corporate Value of 50.8%. The remaining 49.2% is explained by other variables not included in this study.

The Influence of the Moderation of Independent Commissioners in the Relationship between Profit Management and Firm Value

Table-10: The Coefficient of Determination Moderating Variable

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	,029[a]	,001	-,013	81,03698
a. Predictors: (Constant), EM.IBC				

The coefficient of determination (R^2) on the moderating variable of the Independent Board of Commissioners is 0.001 or 0.1%, meaning that the influence of the independent variable Profit Management on the dependent variable Firm Value cannot be moderated by the Independent Board of Commissioners. This can be seen in the value of the coefficient of determination (R^2) which has decreased, namely before being moderated by the Independent Board of Commissioners of the value of the Determination Coefficient (R^2) of 3%, whereas after being moderated it has fallen to 1%.

The Influence of the Institutional Ownership Moderation in the Relationship between Earnings Management and Firm Value

Table-11: The Coefficient of Determination Moderating Variable

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	,221[a]	,049	,035	79,07060
a. Predictors: (Constant), EM.InstOwner				

The coefficient of determination (R^2) on the moderating variable Institutional Ownership is 0.049 or 4.9%, meaning that the influence of the independent variable Profit Management on the dependent variable Corporate Value can be moderated by Institutional Ownership. This can be seen in the coefficient of determination (R^2) which has increased, that is before being moderated by Institutional Ownership The value of the Determination Coefficient (R^2) is 3%, whereas after being moderated it rises to 4.9%.

The Influence of Managerial Ownership Moderation in the Relationship between Profit Management and Firm Value

Table-12: The Coefficient of Determination Moderating Variable

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	,040[a]	,002	-,013	81,00433
a. Predictors: (Constant), EM.ManOwner				

The coefficient of determination (R^2) on the moderating variable Managerial Ownership is 0.002 or 2%, meaning that the influence of the independent variable Profit Management on the dependent variable Firm Value cannot be moderated by Managerial Ownership. This can be seen in the coefficient of determination (R^2) that has increased, that is before being moderated by Managerial Ownership The value of the Determination Coefficient (R^2) is 3%, whereas after being moderated it has fallen to 2%.

The Influence of Audit Committee Moderation in the Relationship between Profit Management and Firm Value

Table-13: The Coefficient of Determination Moderating Variable

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	,263[a]	,069	,056	78,20616
a. Predictors: (Constant), EM.AC				

The coefficient of determination (R^2) on the moderating variable of the Audit Committee is 0.069 or 6.9%, meaning that the influence of the independent variable Profit Management on the dependent variable of Firm Value can be moderated by the Audit Committee. This can be seen in the coefficient of determination (R^2) that has increased, that is before being moderated by the Audit Committee the value of the Determination Coefficient (R^2) is 3%, whereas after being moderated it rises to 6.9%.

Regression Coefficient Test (T-Test)

Table-14: T-Test of Model 1

Coefficients[a]						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**T**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	20,391	11,086		1,839	,070
	EM	284,799	646,411	,053	,441	,661
a. Dependent Variable: FirmValue						

The regression coefficient value in model 1 is 284,799 and the coefficient value shows a positive value meaning that between Earnings Management and Firm Value has a positive relationship. So if the Earnings Management variable increases by 1 unit, then the company's value variable will increase by 284,799. T test in model 1 shows the resulting significance value of 0.661 which is greater than 0.05. Then the Model 1 hypothesis was rejected because Profit Management had no effect on Firm Value. This indicates that the Company's Value will still show the best results even though the practice of Profit Management is of little value or even not practiced at all. This can be seen from the value of earnings management in the 2012-2017 reporting year for Property and Real Estate companies listed on the Indonesia Stock Exchange which tend to be small while the average value of companies in this sector tends to be good.

Table-15: T-Test of Model 2

Coefficients[a]						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**T**	**Sig.**
		B	Std. Error	Beta		
1	(Constant)	-79,628	46,189		-1,724	,089
	IBC	-56,116	75,051	-,072	-,748	,457
	InstOwner	50,586	36,707	,157	1,378	,173
	ManOwner	-,224	52,076	,000	-,004	,997
	AC	18,533	2,828	,612	6,554	,000
a. Dependent Variable: FirmValue						

The regression coefficient value in model 2 with the variable Independent Board of commissioners is -56,116 and the coefficient value shows a negative value meaning that between the Independent Board of

Commissioners and Firm Value have a negative relationship. So if the Independent Board of Commissioners variable increases by 1 unit, the variable value of the company will decrease by 56.116. The T test in model 2 shows the significance value on the Independent Board of Commissioners variable of 0.457 which is greater than 0.05. This indicates that the Independent Board of Commissioners does not have a significant effect on Firm Value. Based on Law No. 40 of 2007 concerning Limited Liability Companies, the board of commissioners is the party in charge of overseeing the management policies, the course of management in general, both regarding the company and the company's business, and giving advice to directors. With constructive suggestions and advice to directors, the existence of an Independent Board of Commissioners can influence the value of the company. But this is contrary to the results of this study which proves that the Independent Board of Commissioners has no significant effect on the value of the company. The results of this study are in line with the results of Riana and Iskandar [9] research, namely that the Independent Board of Commissioners has no effect on Firm Value.

The regression coefficient value in model 2 with the variable Institutional Ownership is 50,586 and the coefficient value shows a positive value meaning that between Institutional Ownership and Firm Value have a positive relationship. So if the Institutional Ownership variable increases by 1 unit, then the company's value variable will increase by 50,586. The t-test in model 2 shows significant value on the variable Institutional Ownership of 0.173 which is greater than 0.05. Thus there are indications that Institutional Ownership has no significant effect on Firm Value. Some researchers believe that the existence of Institutional Ownership can influence company goals by improving performance through Firm Value. The high level of control by external parties will affect the course of the company which will affect the company's performance so that it will affect the value of the company, Kamil & Hapsari [12]. But this is not in line with the results of this study which states that Institutional Ownership has no significant effect on Firm Value.

Managerial ownership is a mechanism to reduce the agency problems of managers, by aligning the interests of managers with shareholders Jensen and Meckling [10] in Herawaty [6]. So that it is expected to improve company performance which is demonstrated through Firm Value. The regression coefficient value in model 2 with the Managerial Ownership variable is -0.224 and the coefficient value shows a negative value meaning that between Managerial Ownership and Firm Value has a negative relationship. So if the Managerial Ownership variable increases by 1 unit, the variable value of the company will decrease by 0.224. The t-test in model 2 shows the significance value on the Managerial Ownership variable produces a significance value of 0.997 which is greater than 0.05. Thus there are indications that Managerial Ownership has no significant effect on Firm Value. This is in line with research by Kamil and Hapsari [12] which also states that Managerial Ownership has no effect on Firm Value.

The T-test on model 2 of the Audit Committee showed a significance value of 0,000 which was smaller than 0.05. It can be concluded that the Audit Committee partially has a significant positive effect on Firm Value. The regression coefficient for the Audit Committee was 18.533 which showed a positive direction, meaning that if the number of Audit Committee meetings increased by 1 meeting and the other variables were constant, then the Company's Value also increased by 18.533. In the implementation of internal control, the Audit Committee is expected to increase the function of data to monitor management activities through regular Audit Committee meetings. Nabila & Daljono [12] said with increasingly stringent supervision, management will lose the opportunity to commit fraudulent actions related to financial statements. So that it is also expected to improve company performance as indicated by increasing Firm Value. The results of this study are in accordance with the Perdana's [13] research which states that the Audit Committee influences Firm Value.

Table-16: T-Test of Model 3

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-102,784	48,014		-2,141	,036
	IBC	2,097	80,687	,003	,026	,979
	InstOwner	51,175	48,734	,159	1,050	,298
	ManOwner	28,202	57,725	,058	,489	,627
	AC	15,451	3,708	,510	4,167	,000
	EM.IBC	-2089,893	4388,420	-,158	-,476	,636
	EM.InstOwner	66,123	2745,503	,006	,024	,981
	EM.ManOwner	-2675,267	2852,106	-,233	-,938	,352
	EM.AC	503,942	331,816	,457	1,519	,134
a. Dependent Variable: FirmValue						

The regression coefficient for the Independent Board of Commissioners towards Profit Management is -2089,893 which shows a negative direction, meaning that if the Independent Board of Commissioners variable increases by 1 person, it will weaken the tendency of Profit Management by 2089,893. The T-test on model 3, Profit Management which is moderated by the Independent Board of Commissioners shows the resulting significance value of 0.636 which is greater than 0.05. Then it can be concluded that partially the influence of Earnings Management on Firm Value can be weakened insignificantly by the Independent Board of Commissioners as a moderating variable.

In implementing Good Corporate Governance, it is expected to reduce the occurrence of earnings management. The greater the proportion of independent boards of commissioners in a company, it is expected that earnings management actions will lower the value of the company. This is consistent with the results of research Herawaty [6] which states that earnings management can be weakened by an independent commissioner as a moderating variable. Likewise, the results of this study found that the effect of Earnings Management on Firm Value can be weakened, although not significantly with the Independent Board of Commissioners as a moderating variable.

The regression coefficient value for Institutional Ownership towards Earnings Management is 66,123 which shows a positive direction, meaning that if the Institutional Ownership variable increases by 1 percent, it will strengthen the tendency of Profit Management by 7117,695. The t-test in model 3, Profit Management which is moderated by Institutional Ownership shows the resulting significance value of 0.981 which is greater than 0.05. Then it can be concluded that partially the influence of Earnings Management on Firm Value can be strengthened insignificantly with Institutional Ownership as a moderating variable.

Siswantaya in Kamil & Hapsari [12] believes that an institution with a relatively large share of ownership in a company might accelerate the management of the company to present voluntary disclosures. This happens because institutional investors can monitor and are considered sophisticated investors who are not easily fooled by the actions of managers. The higher level of investor control over the manager's actions can control management's actions in manipulating earnings. Thus it is expected to also affect the company's financial performance so that it can increase the value of the company. Pertiwi [19] found that ownership of shares owned by institutional parties could weaken the influence of earnings management on firm value. This may be because the institutional can control the company more thoroughly so that the possibility of management to manage earnings can be reduced. However, unlike this research, this study states that the effect of earnings management on firm value can be strengthened insignificantly with Institutional Ownership as a moderating variable. Thus the hypothesis is rejected.

The regression coefficient value for Managerial Ownership towards Earnings Management is -2675,267 which shows a negative direction, meaning that if the Managerial Ownership variable increases by 1 percent, it will weaken the tendency of Profit Management by 2675,267. The t-test in model 3, Profit Management which is moderated by Managerial Ownership shows the resulting significance value of 0.352 which is greater than 0.05. Then it can be concluded that partially the influence of Earnings Management on Firm Value is weakened insignificantly with Managerial Ownership as a moderating variable.

By reason of increasing the value of the company, management with low ownership can take opportunistic actions by carrying out earnings management. Therefore the existence of a corporate governance mechanism of managerial ownership in a company is expected to limit earnings management because of the control mechanism within the company. With an increase in managerial ownership, the opportunistic behavior of these managers can be suppressed, Kamil & Hapsari [12]. Whereas Darwis [8] in his research stated that Managerial Ownership has no effect on the relationship between earnings management and firm value. However, the results of this study state that the effect of Earnings Management on Firm Value is not significantly weakened by Managerial Ownership as a moderating variable, therefore not in line with previous studies.

The regression coefficient value for the Audit Committee towards Profit Management is 503,942 which shows a positive direction, meaning that if the Audit Committee variable increases by 1 percent, it will strengthen the tendency of Profit Management by 503,942. The t-test in model 3, Profit Management moderated by the Audit Committee shows the resulting significance value of 0.134 which is greater than 0.05. It can be concluded that partially the influence of Earnings Management on Firm Value is not significantly strengthened by the Audit Committee as a moderating variable.

The existence of an audit committee is useful to ensure fairness, transparency, accountability, and responsibility. These four factors make financial statements more quality, Arfianti & Alfionita [14]. With the existence of an audit committee, the level of supervision of performance in a company will be better and can reduce earnings management actions that can result in a decrease in the value of the company. Arfianti & Alfionita's research [14] states that the audit committee is a moderating variable influencing the relationship between earnings management and firm value. The results of this study conclude that the influence of earnings management on firm value can be strengthened insignificantly by the Audit Committee as a moderating variable.

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

The results of this study are as follows:

- Earnings Management has no significant effect on firm value with a positive regression coefficient direction. In other words, earnings management can increase Firm Value.
- Simultaneously the four mechanisms of Good Corporate Governance, namely the Independent Board of Commissioners, Institutional Ownership, Managerial Ownership, and the Audit Committee have a significant effect on Firm Value. Thus simultaneously, the mechanism of Good Corporate Governance can increase Firm Value.
- Partially the influence of the four mechanisms of Good Corporate Governance, namely the Independent Board of Commissioners, Institutional Ownership, Managerial Ownership, and the Audit Committee on Firm Value are as follows:
  1. Independent Board of Commissioners has no effect on Firm Value with negative regression coefficient direction. In other words, the Independent Board of Commissioners can reduce the Company's Value.
  2. Institutional Ownership has no significant effect on Firm Value with a positive regression coefficient direction. In other words, Institutional Ownership can increase Firm Value.
  3. Managerial Ownership has no significant effect on Firm Value with a negative regression coefficient direction. In other words, managerial ownership can reduce the value of the company.
  4. The Audit Committee has a significant positive effect on Firm Value with a positive regression coefficient. In other words, the Audit Committee can increase Firm Value.

Partially the influence of Earnings Management on Firm Value which is moderated by the Independent Board of Commissioners, Institutional Ownership, Managerial Ownership, and Audit Committee are as follows:

- The effect of Profit Management on Firm Value can be weakened although not significantly with the Independent Board of Commissioners as a moderating variable. Thus the Independent Board of Commissioners can moderate the relationship between Profit Management and Firm Value.
- The effect of Profit Management on Firm Value can be strengthened insignificantly with Institutional Ownership as a moderating variable. Thus Institutional Ownership cannot moderate the relationship between Profit Management and Firm Value.
- The effect of Profit Management on Firm Value is weakened insignificantly with Managerial Ownership as a moderating variable. Thus Managerial Ownership can moderate the relationship between Profit Management and Firm Value.
- The effect of earnings management on firm value can be strengthened insignificantly by the Audit Committee as a moderating variable. Thus the Audit Committee cannot moderate the relationship between Profit Management and Firm Value.

RECOMMENDATIONS

For further research, it is expected to add control variables such as company size. In addition, researchers can also further increase the sample size by considering the object of research and sample criteria as well as possible so that not too many samples are removed in the sample selection process.

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