The Effect of Good Corporate Governance, Company Size and Financial Performance on Earnings Management (Empirical Studies on State-Owned Enterprises listed on the Indonesia Stock Exchange 2014-2018)

Suhono
Nana Diana
Nur Aini
Universitas Singaperbangsa Karawang

ABSTRACT

This study aims to provide empirical evidence of the effect of good corporate governance, firm size and financial performance on earnings management. Good corporate governance mechanisms are measured by managerial ownership, the proportion of the audit committee and the proportion of the board of commissioners. Earnings management is measured by discretionary accruals using a modified Jones model. The research sample was 10 state-owned companies listed on the Indonesia Stock Exchange which were selected using purposive sampling during the study period, 2014-2018. Data were analyzed using multiple regression. Based on the research results, it is concluded that the effect of good corporate mechanisms, company size and financial performance on earnings management simultaneously has a significant effect of 39.9%. However, only partially managerial ownership and profitability have an effect on earnings management.

Keywords: Good corporate governance, firm size, financial performance, earnings management, discretionary accruals.

!. Introduction

Financial information generated in the accounting process is called financial statements. Financial reports can be used for general purposes as well as for specific purposes. (Martani, et al., 2014: 4). Management requires financial information to implement the planning functions up to the control of the entity. Based on this information, management can measure the company's performance and can make appropriate decisions. (Martani, et al., 2014: 9). Tools that can be used to measure the performance of company management are earnings and earnings processing. Information on company performance that is reflected in earnings information in the comprehensive income statement is important information seen by investors in making decisions about investment or credit, and also information for evaluating management performance in managing the company (Martani, et al., 2014: 113)

According to Statement of Financial Accounting Concept (SFAC) No. 1, earnings information is an indicator to measure the performance of management's accountability in achieving predetermined operating objectives and helps the owner to estimate the company's future earnings power. Many companies are trying to achieve high profits to meet investors' expectations to be considered good, so that it will have an impact on the compensation they

receive. Earnings information is often the target of engineering. Thus, the company has the initiative to carry out earnings management in order to achieve certain profit targets.

Earnings management is the act of adjusting the timing of the recognition of revenues, expenses, gains and losses in order to achieve certain desired earnings information without violating provisions in accounting standards. Jensen and Meckling in Rahmawati's research (2013) said that earnings management arises as a result of agency problems that occur due to the incompatibility of interests between the owner (principal) and company management (agent) or what is known as agent conflict. According to Jansen and Meckling, earnings manipulation is the action of managers in modifying accounting earnings to obtain positive responses to their performance as well as to obtain positive responses from the market for the information it presents.

Corporate governance is a concept proposed for improving company performance through supervision or monitoring of management performance and ensuring management accountability to stakeholders based on a regulatory framework. The concept of corporate governance is proposed in order to achieve a more transparent corporate management for all users of financial statements.

Ball, et al's research in Luthan, et al (2016) shows that high quality standards do not always produce high quality information, but are also related to the supervisory function, namely the GCG mechanism. Good Corporate Governance in Indonesia became popular in 1997, when the economic crisis hit Indonesia. There were many bad consequences of the crisis, one of which was the number of companies that fell because they were unable to survive. Bad corporate governance has been pointed out as one of the causes of the Indonesian political economy crisis that began in 1997 whose effects are still being felt today.

Realizing such situations and conditions, the government through the Ministry of BUMN began to introduce the concept of Good Corporate Governance in the BUMN environment, through the Decree of the Minister of BUMN No. Kep-117 / M-MBU / 2002 dated August 1, 2002 concerning the implementation of Good Corporate Governance Practices in State-Owned Enterprises, emphasizing the obligation for BUMN to implement Good Corporate Governance consistently and or to make Good Corporate Governance principles as their operational basis, Basically, it aims to improve business cleanliness and company accountability in order to realize the value of shareholders in the long term while still paying attention to the interests of other stakeholders, and based on statutory regulations based on ethical values.

In this study, the good corporate governance is characterized by managerial ownership, the existence of an audit committee and an independent commissioner. Large management

ownership is believed to limit the behavior of managers in carrying out earnings management. The existence of an audit committee and independent commissioners in a company has also proven to be effective in preventing earnings management practices, because the existence of an audit committee and independent commissioners aims to oversee the course of company activities in achieving company goals.

Most researchers use company size as a proxy for political sensitivity and managerial behavior in reporting their financial performance. In Llukani's (2013) study regarding earning management and firms size with an empirical study in the Albanian Market, it shows that there are several things that distinguish large companies in relation to earnings management. First, the financial statements of large companies are audited by a large licensed audit firm. This process can prevent earnings management initiatives from distorting the results of financial statements. Second, large companies have a better reputation in the market compared to small companies, so large companies must take into account a larger reputation cost compared to smaller companies. This is a good reason to avoid or become involved in earnings management. Third, most of the large companies have a consolidated structure of the internal audit function. Therefore, they are more likely to be involved in earnings management initiatives than small firms. This suggests that large firms may appear less in earnings management. On the other hand, it can be considered the opposite.

In relation to financial performance (liquidity, leverage and profitability), a company can be said to be good, if its performance is good. Good performance can be seen from the financial statements. Financial reports are representative of a company's performance.

2. Literature review and hypothesis development

In order to understand corporate governance, the basis for the agency relationship perspective is used. Jensen and Meckling (1976) in Agustia's (2013) research stated that the agency relationship is a contract between the manager (agent) and the investor (principal). The occurrence of a conflict of interest between the owner and the agent is due to the possibility of the agent acting inconsistent with the interests of the principal, thus triggering agency costs. One of the causes of agency problems is the existence of asymmetric information. Asymmetric Information is an imbalance of information held by principals and agents.

Efforts to increase company value no longer reflect the real agent's performance, but have been engineered in such a way that it becomes better according to the agent's wishes. If the award for the agent is determined based on the performance achieved, the agent will get a salary and bonus that is relatively higher than the previous award. This is what is called the

agency problem in the management of modern corporations. This agency problem is the source of all corporate irregularities that have occurred in the business world. (Sulistyanto, 2014: 132-133).

2.1 Good Corporate Governance (GCG)

The concept of good corporate governance develops along with the demands of the public who want a healthy, clean and responsible business life. According to the Regulation of the Minister of State for State-Owned Enterprises No. PER - 01 / MBU / 2011 which was later amended by PER - 09 / MBU / 2012 where it states that Good Corporate Governance, hereinafter referred to as GCG, are the principles that underlie a process and mechanism for managing a company based on regulations. legislation and business ethics.

According to Chen and Steiner (1999) in Agustia's (2013) research, it is stated that managerial ownership is managerial ownership of company shares. Managerial ownership is an important internal monitoring tool for resolving agency conflicts between external stockholders and management. Jensen and Meckling in Indriastuti's (2012) study stated that earnings management practices can be minimized by adjusting the differences in interests between owners and management by increasing the company's share ownership by management.

According to Kep. 29 / PM / 2004 audit committee is a committee formed by the board of commissioners to carry out supervisory duties in the management of the company. An audit committee formed by a company functions to provide views on issues related to financial policy, accounting and internal control.

Based on PER-01 / MBU / 2011 article 13 paragraph 3, what is meant by members of the Board of Commissioners / Independent Supervisory Board are members of the Board of Commissioners / Supervisory Board who do not have financial, management, share ownership and / or family relationships with members of the Board of Commissioners / Board Other supervisors, members of the Board of Directors and / or controlling shareholder or relationship with the BUMN concerned, which may affect their ability to act independently. In article 13 paragraph 1, in the composition of the Board of Commissioners / Supervisory Board, at least 20% (twenty percent) are members of the Board of Commissioners / Independent Supervisory Board who are determined in their appointment decision.

2.2 Firm Size

Firm size as a proxy for political cost is considered very sensitive to earnings reporting behavior (Watt and Zimmerman, 1978). Medium and large companies have more pressure from their stakeholders, so that the company's performance is in line with the expectations of its investors compared to small companies. (Handayani and Rachadi, 2009). Company size can be measured by total assets, total sales, and market capitalization.

2.3 Financial Performance

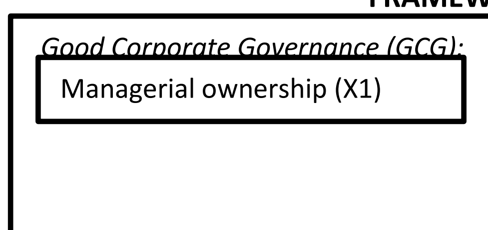
To be able to get an overview of the financial development of a company, it is necessary for us to interpret or analyze the financial data of the company in question. (Riyanto, 2013: 327). According to Riyanto (2013: 26) states that liquidity is intended as a comparison between the amount of cash on the one hand and the amount of current debt on the other (business entity liquidity), as well as expenses for running the company on the other (company liquidity). Riyanto (2013: 32) states that leverage is intended as the ability of a company to pay all its debts (both short and long term). Solvency or leverage of a company shows the company's ability to meet all its financial obligations if at that time the company was liquidated. The profitability of a company shows the ratio between profit and assets or capital that produces this profit. In other words, profitability is the ability of a company to generate profits during a certain period. (Riyanto, 2013: 35)

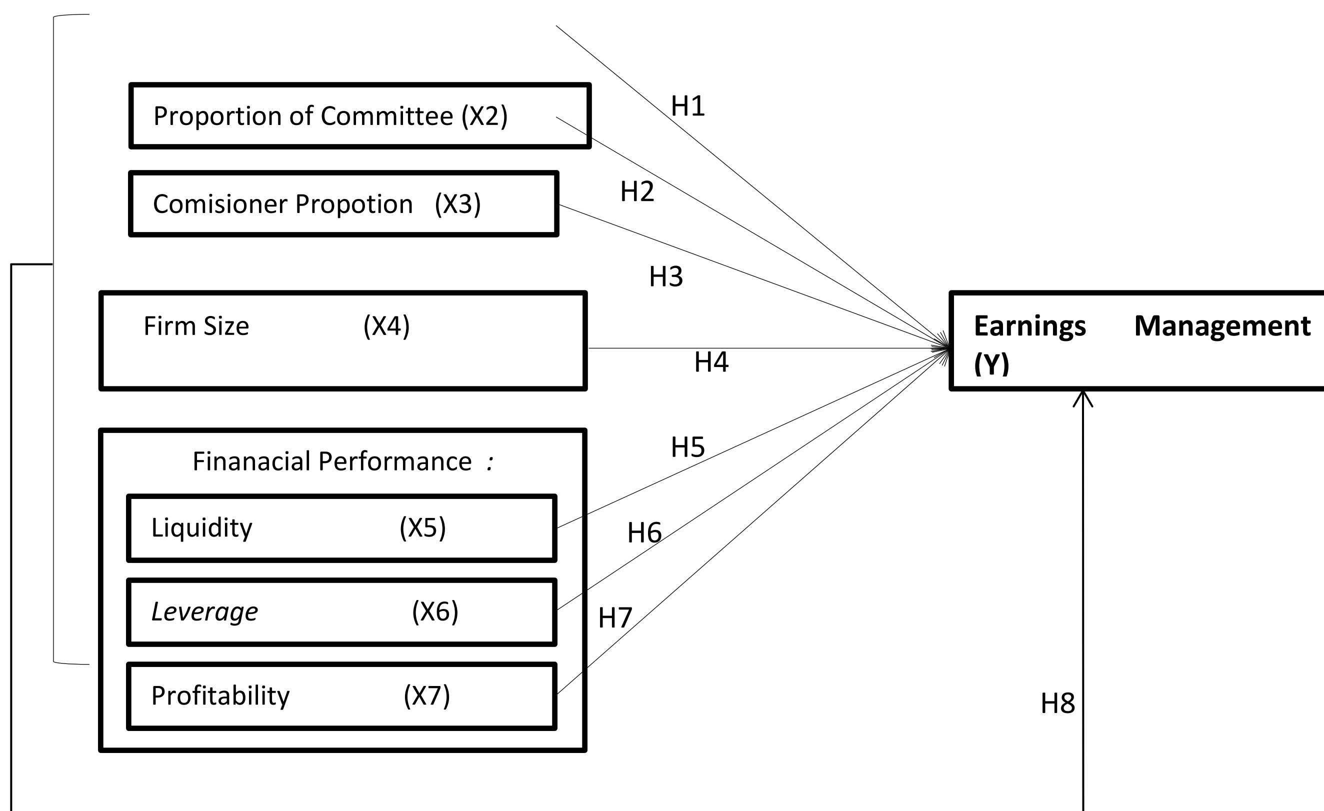
2.4 Earnings Management

According to Sulistyanto (2014: 51) Earnings management is actually an attempt to manipulate the numbers in the financial statements by playing with the accounting methods and procedures used by the company.

There is a main reason why a company manager manages and regulates profit even though these activities tend to violate the rules. In simple terms, a manager manages profits to create welfare for the owners or stock-holders of the company he manages. This is in line with agency theory which asserts that the authority received by managers from company owners to manage and run the company brings logical consequences that must be carried out by managers and company owners. Managers have an obligation to increase company value and owner welfare and have the right to receive awards for what they have done (Sulistyanto, 2014: 42-43).

FRAMEWORK RESEARCH





Sumber : diolah oleh penulis, 2020.

2.5 Research Hypothesis

Based on theory and the above framework, hypothesis can be raised regarding the problem, as follows:

H1: Good Coorporate Governance has on influences Earning Management.

H2: Firm Size has influences on Earning Managemennt.

H3: Fnancial Performance has influences on Earning Management.

H4: Good Coorporate Governancr, Firm Size and Financial Performance has influence on Earning Management.

3. Research Methodelogy

The method used in this research is quantitative research methods and categorize as a descriptive verification research. According to Sugiyono (2016 : 8) quantitative research methods can be interpreted as research methods based on the philosophy of positivism, used to examine certain populations or samples, data collection using research instruments, data analysis is quantitative / statistical, with the aim of testing hypotheses that have been set. Descriptive verification research in this research aims to know the results of research related to the influence of working capital, sales, and operating costs on net profit on

manufacturing company sector consumer goods industry listed in Indonesia Stock Exchange for the period 2015-2017.

The population in this study is State-Owned Enterprises listed on the Indonesia Stock Exchange 2014-2018). This research sample was taken by purposive sampling technique. Based on the sampling criteria, the total of samples used in this study are 20 companies in 9 sectors.

The method of data analysis in this study is multiple liniar regression. There are conditions that should be fulfilled before the multiple regression analysis, namely classical assumption test that consist of normality test, multicollinearity test, autocorrelation test and heteroscedasticity test. Hypothesis test in the form of partial hypothesis testing, and simultaneously hypothesis testing. Partially, hypothesis testing is done by t test, while simultaneously hypothesis testing is done by the F test.

Equation function in this study is formulated as follows:

4. Results and Discussion

4.1 Descriptive Analysis

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Managerial Owned	50	,00020	,00819	,0028062	,00213173
Audit Comite	50	20	60	31,38	8,755
Comisioner Audi	50	17	60	34,18	8,470
Firm Size	50	11,15	14,04	12,7052	,85481
Liquidity	50	38,01	387,44	145,6166	74,71483
Leverage	50	,49	5,11	1,6032	,98937
Profitability	50	-18,04	21,19	4,2614	7,62827
Earning Management	50	-,09906	,14556	,0147858	,04533432
Valid N (listwise)	50				

Source : Researcher processed data

Based on the table above, it can be concluded that the managerial ownership variable has a minimum data of 0.00020%, a maximum of 0.00819%, a mean of 0.0028062% and a standard deviation of 0.00213173. The audit committee variable has a minimum data of 20%, a maximum of 60%, a mean of 31.38% and a standard deviation of 8.755. The variable proportion of the board of commissioners has a minimum data of 17%, a maximum of 60%, a mean of 34.18% and a standard deviation of 8,470. The firm size variable has a minimum data of 11.15, a maximum of 14.04, a mean of 12.7052, and a standard deviation of 0.85481. Meanwhile, the liquidity variable has a minimum data of 38.01%, a maximum of 387.44%, a mean of 145.6166 and a standard deviation of 74.71483. The leverage variable has a minimum

data of 0.49, a maximum data of 5.11, a mean of 1.6032 and a standard deviation of 0.98937. Earnings management variable as the dependent variable has a minimum data of -0.09906, a maximum data of 0.14556, a mean of 0.0147858 and a standard deviation of 0.04533432.

4.2 Clasic Asumption Test

The normality test in this study used the Kolmogorov-Smirnov normality test. By using the K-S test, the data is said to be normal if the probability or significance value is> 0.05. The results showed a significance value of 0.069, which means greater than 0.05 (0.069> 0.05). This means that the data is normal and suitable for use in research.

In this study, the multicollinearity test was measured by tolerance and VIF values. A regression model that is free from multicollinearity if it has a tolerance value of more than 0.1 and a VIF value of less than 10. The results show that the tolerance value of each variable is more than 0.10 and the VIF value is less than 10. Therefore, it can be concluded that this data does not have multicollinearity between variables and is suitable for use in research.

In this study, the heteroscedasticity test used scatterplots images. Good research is research that does not occur heteroscedasticity. The results showed that the dots spread randomly above and below 0. The dots spread out and do not converge just below or above. The dot spread does not form a pattern. So it can be concluded that the data does not occur heteroscedasticity so it is suitable for use.

In this study, the autocorrelation test used the Durbin Watson value. Good research is research that does not occur autocorrelation. Measurement of Durbin Watson values compared to Durbin Watson tables (dL and dU). The results showed that the Durbin Watson value was 1.985. Based on the Durbin Watson table (k: 7, n: 50) (k is the number of independent variables and n is the number of samples) the dU value is 1.8750 and the dL value is 1.2461, where the 4-dU value is 2.1250. This means 1.8750 <1.985 <2.1250 and it can be concluded that the data in this study are free from autocorrelation.

4.3 Regresion Analysis

Table Results

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-,094	,098		-,959	,343		
Managerial Owned	9,663	2,870	,454	3,366	,002	,673	1,486
Audit Commite	-,001	,001	-,148	-1,067	,292	,634	1,578
COmisioner	-,001	,001	-,245	-1,961	,057	,786	1,273
Firm Size	,008	,007	,156	1,217	,230	,742	1,347
Liquidity	,000	,000	,199	1,450	,154	,651	1,537
Leverage	,012	,007	,260	1,815	,077	,598	1,672
PRofitability	,002	,001	,336	2,484	,017	,672	1,488

a. Dependent Variable: Manajemen Laba

Source : Researcher processed data

Based on tabel the results is :

ML = -0,94 + 9,663KM – 0,001Prop.KA – 0,001Prop. DK + 0,008UP + 0,000Likuid + 0,012Leverage + 0,002Profit

4.4 Hypothesis Analysis

Partial Test Analysis (Uji t r=test)

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-,094	,098		-,959	,343		
Managerial Owned	9,663	2,870	,454	3,366	,002	,673	1,486
Audit Commite	-,001	,001	-,148	-1,067	,292	,634	1,578
COmisioner	-,001	,001	-,245	-1,961	,057	,786	1,273
Firm Size	,008	,007	,156	1,217	,230	,742	1,347
Liquidity	,000	,000	,199	1,450	,154	,651	1,537
Leverage	,012	,007	,260	1,815	,077	,598	1,672
PRofitability	,002	,001	,336	2,484	,017	,672	1,488

a. Dependent Variable: Manajemen Laba

Source : Researcher processed data

Managerial ownership variable has a t value of 3.366 and a significance value of 0.002 ($p < 0.05$), so the managerial ownership variable has a significant positive effect on earnings management, which means H1 is accepted. The audit committee variable has a t value of -1.067 with a significance value of 0.292 ($p > 0.05$), so the Audit Committee variable has a negative and insignificant effect on earnings management, which means H2 is rejected. The proportion of the Board of Commissioners variable has a t value of -1.961 with a significance value of 0.05 ($p > 0.05$), so the proportion of the Board of Commissioners has a negative and insignificant effect on earnings management, which means H3 is rejected.

The firm size variable has a t value of 1.217 with a significance value of 0.230 ($p > 0.05$), so the firm size variable has a positive and insignificant effect on earnings management, which means that H4 is rejected.

The liquidity variable has a t value of 1.450 with a significance value of 0.154 (p> 0.05), so the liquidity variable has a positive and insignificant effect on earnings management, which means that H5 is rejected. The leverage variable has a t value of 1.815 with a significance value of 0.077 (p> 0.05), so the leverage variable has a positive and insignificant effect on earnings management, which means that H6 is rejected. The profitability variable has a t value of 2.484 with a significance value of 0.017 (p> 0.05), so the profitability variable has a significant positive effect on earnings management, which means that H7 is accepted.Tabel Hasil Uji Simultan (Uji F)

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	,049	7	,007	5,652	,000[b]
	Residual	,052	42	,001		
	Total	,101	49			

a. Dependent Variable: Earning Management
b. Predictors: (Constant), Profitability, Firm Siize, Liquidity, Comisioner, Audit Commite, Managerial Owned, Leverage

Source : Researcher processed data

From the test results of regression analysis, it was obtained that the F value was calculated at 5.652 with a significance value of 0.000 (p <0.05), the independent variable simultaneously had a significant effect on earnings management, which means that H8 was accepted.Tabel Hasil Koefisien Determinasi (R^2)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,696[a]	,485	,399	,03513846	1,985

a. Predictors: (Constant), Profitability, Firm Siize, Liquidity, Comisioner, Audit Commite, Managerial Owned, Leverage
b. Dependent Variable: Earning Management

Sumber : diolah oleh penulis, 2020

Based on the table, it can be seen that the value of Adjusted R Square (R2) is 0.399 or 39.9%. This means that 39.9% of the dependent variable earnings management is influenced by the independent variable, namely managerial ownership, audit committee, board of commissioners proportion, company size, liquidity, leverage, and profitability. While the remaining 60.1% is explained by other factors.

4.5 Discussion

4.5. 1 The Effect of Managerial Ownership on Earnings Management

Based on the tests conducted, the results of this study indicate that managerial ownership has a significant positive effect on earnings management. The results of this study support the research conducted by Lin and Hwang (2010) which shows that Managerial Ownership has a positive effect on earnings management, meaning that the greater the managerial ownership, the greater the earnings management. This is because direct financial interests, such as share ownership, can weaken management independence and its effectiveness in monitoring management decisions, including in the area of financial reporting.

4.5.2 The Effect of the Audit Committee on Earnings Management

Based on the tests conducted, the results of this study indicate that the audit committee has no effect on earnings management. The results of this study support research conducted by Rahmawati (2013), Yogi and Damayanthi (2016) and Agustia (2013) which show that the Audit Committee has no effect on Earning Management. This means that the increasing number of audit committees has no influence on earnings management activities. This is because the existence of the audit committee has not shown an effective impact on earnings management. According to Efendi in Agustia's research (2016: 37), the existence of audit committees in public companies is still only to fulfill the regulatory requirements (government). The appointment of members of the audit committee is not based on competence and capability but still uses the proximity factor to the board of commissioners. This is still unprofessional and not independent in the audit committee.

4.5.3 The Effect of the Proportion of the Board of Commissioners on Earnings Management

Based on the tests conducted, the results of this study indicate that the Proportion of the Board of Commissioners has no effect on Earning Management. The results of this study support research conducted by Yogi and Damayanthi (2016), Indriastuti (2012) and Agustia (2013).

According to Effendi, in Agustia's research (2013: 37), there is a tendency that the position of directors is usually very strong, there are even directors who are reluctant to give authority and do not provide adequate information to independent commissioners. In addition, there are obstacles that are quite hindering the performance of independent commissioners, namely their weak competence and integrity. In practice, although the proportion of independent commissioners is relatively large, it does not guarantee that they are truly independent.

4.5.4 The Effect of Company Size on Earnings Management

Based on the tests conducted, the results show that firm size has no effect on earnings management. The results of this study support research conducted by Llukani (2013) and Winingsih (2017). This means that the size of the company does not have a significant influence on earnings management.

Firm size has no effect on earnings management, because large companies have a good relationship with large auditors and allow negotiations with them about reports and the audit process to be more flexible.

4.5.5 The Effect of Managerial Liquidity on Earnings Management

Based on the tests conducted, the results showed that liquidity had no effect on earnings management. The results of this study support the research of Winingsih (2017) and Dira and Astika (2014) which show that liquidity has no effect on earnings management. This means that the percentage of liquidity has no impact or influence on earnings management activities. In this study, liquidity is proxied by the current ratio. This is because the level of liquidity, which is proxied by the current ratio, only shows the company's ability to manage assets on corporate debt, not to returns to investors.

4.5.6 The Effect of Managerial Leverage on Earnings Management

Based on the tests conducted, the results show that leverage has no effect on earnings management. The results of this study support research conducted by Winingsih (2017) which shows that leverage has no effect on earnings management. In this study, leverage is proxied using the Debt Equity Ratio (DER). The results in this study indicate that there is no influence between leverage on earnings management activities, where the company's efforts to fulfill debt covenants do not motivate management to carry out earnings management.

4.5.7 Effect of Managerial Profitability on Earnings Management

Based on the tests conducted, the results of this study indicate that profitability, which is proxied by using Return on Assets (ROA), has a significant positive effect on earnings management. This supports research conducted by Amertha (2013), Winingsih (2017), and Dewi and Priyadi (2016) which state that profitability has a significant positive effect on earnings management. Profitability is a measure of financial performance, if profitability is good then company performance will be good, and vice versa. This proves that the greater the Return on Assets (ROA) as the profitability ratio of a company, the more efficient the use of assets will be so that it will increase profits. Large profits will attract investors because the company has a higher rate of return. In other words, the higher this ratio, the better the productivity of assets in obtaining net profits. So that ROA motivates management to carry out earnings management.

4.5.8 Effect of Good Corporate Governance Mechanisms, Company Size and Financial Performance on Earnings Management

Based on the tests conducted, the results show that simultaneously the independent variables consisting of managerial ownership, the audit committee, the proportion of the board of commissioners, company size, liquidity, leverage and profitability have a significant effect on earnings management. This means that these seven variables together have an influence on earnings management.

5. Conclusion

Based on the results of data analysis and discussion that has been stated above, the following conclusions can be drawn:

1. The regression test results show that the good corporate governance mechanism which is proxied by managerial ownership has a significant positive effect on earnings management. This indicates that the percentage of managerial ownership has an impact on or affects earnings management. This means that greater share ownership by management can weaken independence and will trigger earnings management practices.
2. From the results of the reg receipt test, it shows that the good corporate governance mechanism proxied by the proportion of the audit committee has an insignificant negative effect on earnings management. This indicates that the existence of an audit committee has no effective impact in preventing earnings management activities. This is because the existence of the audit committee is not yet based on competence and capability.
3. The results of regression testing show that the good corporate governance mechanism, which is proxied by the proportion of the board of commissioners, has an insignificant negative effect on earnings management. This indicates that the existence of independent commissioners does not necessarily affect earnings management activities. This is due to the very strong position of the board of directors and their weak competence and integrity.
4. From the regression test results, it shows that company size as proxied by total assets has a positive and insignificant effect on earnings management. This indicates that

company size does not motivate management to carry out earnings management activities.

5. The results of regression testing indicate that financial performance as proxied by liquidity has a positive and insignificant effect on earnings management. This indicates that the percentage of liquidity is not a motivation for conducting earnings management. This is because the level of liquidity, which is proxied by the current ratio, only shows the company's ability to manage assets on corporate debt, not to returns to investors.
6. The results of regression testing indicate that financial performance as proxied by leverage has a positive and insignificant effect on earnings management. This indicates that the leverage proxied by the Debt Equity Ratio (DER) has no impact on earnings management. This is because the company's efforts in fulfilling debt covenants do not motivate management to carry out earnings management.
7. The results of regression testing indicate that financial performance as proxied by profitability has a significant positive effect on earnings management. This indicates that profitability is proxied by Return On Assets (ROA) which has a positive impact on earnings management activities. In other words, the higher this ratio, the better the productivity of assets in obtaining net profits. So that ROA motivates management to carry out earnings management.
8. The regression test results show that the mechanisms of good corporate governance, firm size and financial performance simultaneously influence earnings management. The correlation coefficient is 0.696, which means that the simultaneous correlation between good corporate governance mechanisms, company size and financial performance on earnings management is very strong. The coefficient of determination is 0.399, which means that the relationship between good corporate governance mechanisms, company size and financial performance simultaneously affects earnings management by 39.9%, while 61.1% is influenced by other variables.

REFFERENCES

Books :

Fahmi, Irham. 2015. *Manajemen Risiko Teori, Kasus, dan Solusi.* Bandung : Alfabeta.

Martani, Dwi., dkk. 2014. *Akuntansi Keuangan Menengah Berbasis PSAK.* Buku 1. Jakarta : Salemba Empat.

Riyanto, Bambang. 2013. *Dasar-dasar Pembelanjaan Perusahaan.* Edisi 4. Yogyakarta : BPFE-YOGYAKARTA.

Sujarweni, V. Wiratna. 2016. *Kupas Tuntas Penelitian Akuntansi dengan SPSS".* Edisi Lengkap. Yogyakarta : Penerbit Pustaka Baru Press.

Sulistyanto, Sri. 2014. *Manajemen Laba Teori dan Model Empiris.* Jakarta: Grasindo.

Utari, Dewi., dkk. 2016. *Akuntansi Manajemen (Pendekatan Praktis).* Edisi 4. Jakarta : Mitra Wacana Media.

Journals :

Agustia, Dian. 2013. "*Pengaruh Faktor Good Corporate Governance, Free Cash Flow, dan Leverage Terhadap Manajemen Laba*". Jurnal Akuntansi dan Keuangan, Vol. 15, No. 1, 27-42. ISSN 1411-0288 print / ISSN 2338-8137 online

Amertha, Indra Satya Prasavita. 2013. "*Pengaruh Return On Assets pada Praktek Manajemen Laba dengan Moderasi Corporate Governance".* E-Jurnal Akuntansi Udayana 4.2 (2013) : 373-387. ISSN : 2302-8556.

Dewi, Rina Pusvita dan Maswar Patuh Priyadi. 2016. "*Pengaruh Free Cash Flow, Kinerja Keuangan terhadap Earnings Management Dimoderasi Corporate Governance".* Jurnal Ilmu dan Riset Akuntansi Vol. 5 (2) Februari 2016. ISSN : 2460-0585 . Sekolah tinggi Ilmu Ekonomi Indonesia (STIESIA) Surabaya.

Dira, Kadek Prawisanti., dan Ida Bagus Putra Astika. 2014. "*Pengaruh Struktur Modal, Likuiditas, Pertumbuhan Laba dan Ukuran Perusahaan pada Kualitas Laba*". E-Jurnal Akuntansi Universitas Udayana 7.1 (2014) : 64-78. ISSN : 2302-8556

Indriastuti,Maya. 2012. "*Pengaruh Kualitas Auditor dan Corporate Governance terhadap Manajemen Laba*". Eksistansi (ISSN: 2085-2401), Vol. IV No. 2, Agustus 2012

Kusmuriyanto, Shanie Sukmawati., dan Linda Agustina. 2014. "*Pengaruh Struktur Modal, Ukuran Perusahaan, Likuiditas dan Return On Assets terhadap Kualitas Laba*". *Accounting Analysis Journal AAJ 3 (1) 2014.* ISSN : 2252-6765.

Lazzem, Safa., dan Faouzi Jilani. 2017. *"The Impact of Leverage on accrual-based Earnings Management : the case of listed French Firms". Research in International Bussiness and Finance*. S0275-5319(17)30074-0

Lin, Jerry W., dan Mark I. Hwang. 2010. *"Audit Quality, Corporate Governance, and Earnings Management: A Meta-Analysis". International Journal of Auditing. Int. J.Audit.* 14: 57-77. doi:10.1111/j.1099-1123.2009.00403.x

Llukani, Teuta. 2013. *"Earmings Management and Firm Size : An Empirical Analyze In Albanian Market". European Scientific Journal Edition Vol. 9 No. 16*. ISSN: 1857 – 7881 (Print) e - ISSN 1857- 7431

Luthan, Elvira., dkk. 2016. *"The Effect of Good Corporate Governance Mechanism to Earnings Management Before and After IFRS Covergence". Procedia - Social and Behavioral Sciences 219 (2016) 465-471.* doi : 10.1016/j.sbspro.2016.05.021.

Mahariana,I Dewa Gede Pingga dan I Wayan Ramantha. 2014. "*Pengaruh Kepemilikan Manajerial dan Kepemilikan Institusional terhadap Manajemen Laba*". E-Jurnal Akuntansi Udayana 7.3 (2014) : 688-699. ISSN : 2302-8556.

Prasetya, Pria Juni., dan Gayatri. 2016. "*Pengaruh Ukuran Perusahaan terhadap Manajemen Laba dengan Pengungkapan Corporate Social Responsibility sebagai Variabel*

Intervening". E-Jurnal Akuntansi Universitas Udayana Vol.14.1 Januari 2016 : 511-538. ISSN : 2303-1018.

Rahmawati, Hikmah Is'ada. 2013. "*Pengaruh Good Corporate Governance (GCG) terhadap Manajemen Laba pada Perusahaan Perbankan*". *Accounting Analysis Journal*. ISSN : 2252-6765

Sari, A.A Intan Puspita., dan I G.A.M Asri Dwija Putri. 2014. "*Pengaruh Mekanisme Corporate Governance pada Manajemen Laba*". E-Jurnal Akuntansi Udayana 8.1 (2014) : 94-104. ISSN : 2302-8556.

Shu, Pei-Gi. dan Sue-Jane Chiang. 2014. "*Firm Size, timing, and earnings management of seasoned equity offerings". International Review of Economics and Finance 29 (2014) 177-194.* doi: 10.1016/ j.iref.2013.05.011

Warianto, Paulina., dan Ch. Rustiti. 2014. "*Pengaruh Ukuran Perusahaan, Struktur Modal, Likuiditas dan Investment Opportuinity Set (IOS) terhadap Kualitas Laba pada Perusahaan Manufaktur yang terdaftar di BEI*". MODUS Vol.26 (I) : 19-32 , 2014. ISSN: 0852-1875.

Yogi, Luh Made Dwi Parama., dan I Gusti Ayu Eka Damayanthi. 2016. "*Pengaruh Arus Kas Bebas, Capital Adequacy Ratio dan Good Corporate Governance pada Manajemen Laba*". E-Jurnal Akuntansi Universitas Udayana Vol. 15.2 Mei (2016) : 1056-1085. ISSN:2302-8556.

Zamri, Norhayati., dkk. 2013. *"The Impact of Leverage on Real Earnings Management". Procedia Economics and Finance 7 (2013) 86-95.*doi: 10.1016/S2212-5671(13)00222-0

Websites :

Afrianto, Dedi. 2016. *Direksi Timah Dituding Manipulasi Laporan Keuangan*. https://economy.okezone.com/ Diakses pada tanggal 27 Maret 2019.

Arifenie, Fitri Nur dan Dikky Setiawan. 2009. *Kementerian BUMN akan tindak auditor Waskita Karya*. https://keuangan.kontan.co.id/news/. Diakses pada tanggal 27 Maret 2019

BUMN Republik Indonesia. 2017. *Profil BUMN Indonesia 2017*. http://bumn.go.id/ Diakses pada tanggal 14 Mei 2019.

Bursa Efek Indonesia. 2016. *Laporan Keuangan*. (www.idx.co.id Diakses pada tanggal 3 Maret 2019)

Bursa Efek Indonesia. 2017. *Laporan Keuangan*. (www.idx.co.id Diakses pada tanggal 3 Maret 2019)

Bursa Efek Indonesia. 2018. *Laporan Keuangan*. (www.idx.co.id Diakses pada tanggal 3 Maret 2019)

Bursa Efek Indonesia. 2016. *Laporan Keuangan Tahunan*. (www.idx.co.id Diakses pada tanggal 30 Oktober 2018)

Bursa Efek Indonesia. 2017. *Laporan Keuangan Tahunan*. (www.idx.co.id Diakses pada tanggal 30 Oktober 2018)

Bursa Efek Indonesia. 2018. *Laporan Keuangan Tahunan*. (www.idx.co.id Diakses pada tanggal 3 Maret 2019)

Bursa Efek Indonesia. 2018. *Ringkasan Performa Perusahaan Tercatat*. (www.idx.co.id Diakses pada tanggal 07 Januari 2019)

Detikfinance. 2004. *Bapepam Denda Mantan Direksi Indofarma Rp 500 Juta*. https://finance.detik.com/. Diakses pada tanggal 27 Maret 2019.

Hidayat, David. 2015. *Kasus Kimia Farma (Etika Bisnis)*. https://www.kompasiana.com/. Diakses pada tanggal 27 Maret 2019.

IDN Financials. 2014. *Laporan Tahunan*. (www.idnfinancials.com Diakses pada tanggal 12 Maret 2019)

IDN Financials. 2015. *Laporan Tahunan*. (www.idnfinancials.com Diakses pada tanggal 12 Maret 2019)

Jaringan Dokumentasi dan Informasi Hukum Badan Pemeriksa Keuangan Republik Indonesia. 2003. *Undang-Undang (UU) No. 19 Tahun 2003 tentang Badan Usaha Milik Negara*. (www.peraturan.bpk.go.id Diakses pada tanggal 14 Mei 2019)

Jaringan Dokumentasi dan Informasi Hukum Kementerian BUMN. 2011. *Peraturan Menteri BUMN PER-01/MBU/2011*. (www.jdih.bumn.go.id Diakses pada tanggal 07 Januari 2019)

Jaringan Dokumentasi dan Informasi Hukum Kementerian BUMN. 2012. *Peraturan Menteri BUMN PER-09/MBU/2012*. (www.jdih.bumn.go.id Diakses pada tanggal 07 Januari 2019)

Kementerian Keuangan Republik Indonesia. 2014. *Realisasi APBN Tahun Anggaran 2014*. (www.kemenkeu.go.id Diakses pada tanggal 31 Maret 2019)

Kementerian Keuangan Republik Indonesia. 2015. *Realisasi APBN Tahun Anggaran 2015*. (www.kemenkeu.go.id Diakses pada tanggal 31 Maret 2019)

Kementerian Keuangan Republik Indonesia. 2016. *Realisasi APBN Tahun Anggaran 2016*. (www.kemenkeu.go.id Diakses pada tanggal 31 Maret 2019)

Kementerian Keuangan Republik Indonesia. 2017. *Realisasi APBN Tahun Anggaran 2017*. (www.kemenkeu.go.id Diakses pada tanggal 31 Maret 2019)

Kimia Farma. 2014. *Laporan Tahunan*. (www.kimiafarma.co.id Diakses pada tanggal 12 Maret 2019)

Taridi, Tirmidzi. 2015. *Perkembangan GCG di Indonesia*. http://muc-advisory.com/tag/forum-for-corporate-governance-in-indonesia-fcgi/. Diakses pada tanggal 27 April 2019

Tempo.co. 2003. Bapepam : *Kasus Kimia Farma Merupakan Tindak Pidana*. https://bisnis.tempo.co/read/33339/bapepam-kasus-kimia-farma-merupakan-tindak-pidana. Diakses pada tanggal 27 Maret 2019.

Saham OK. 2016. *Daftar perusahaan BUMN publik di BEI*. www.sahamok.com. Diakses pada tanggal 27 Februari 2019.