The Effect of Independent Commissioners and Audit Quality Towards Corporate Profit Management

Mahrezaldy Creza

Airlangga University

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Abstract- The purpose of this study is to determine the effect of independent commissioners and audit quality on earnings management in the manufacturing sector in 2017-2018. This study uses a quantitative method using a sample of manufacturing companies listed on the Indonesia Stock Exchange in 2017-2018.

The results of this study indicate that the independent commissioner and audit quality does not affect the company's earnings management because the independent commissioner can still be said to be quite weak but there are no strict sanctions issued by the regulator as part of tightening the implementation of corporate governance. While the audit quality does not affect the company's earnings management. Audit quality does not affect earnings management is the possibility of earnings management practices occur within the company because the company wants the company's performance to look good through the company's financial statements in the eyes of investors and prospective investors, regardless of whether the big four or other Accounting Firm audits the company's financial statements.

Index Terms- independent commissioner, audit quality, earnings management

I. Introduction

Earning management is an accounting policy option by a manager to achieve certain objectives. Earning management can be viewed from the side of contract drafting and financial reporting. In terms of financial reporting, managers can use earning management to adjust the estimated revenue expressed by analysts, and thereby avoid negative stock price reactions that immediately follow the failure to meet investor expectations. From a contractual perspective, earning management can be used as a way to protect the company from the consequences of unexpected events when contracts are rigid or incomplete (Scott 2006).

The entity theory arises in response to proprietary theories. The entity theory develops due to the fact that the professional manager's profession is growing as the company grows. Companies that increasingly lead to owners who are also managers are no longer able to carry out the functions of the company directly, e.g. initially the function of production, marketing, sales, purchase, finance and other executed directly by the owner, so that the whole function is handed over to the professional manager who is responsible to the owner (Kam 1990). The entity theory develops due to the fact that the professional manager's profession is growing as the company grows. Companies that increasingly lead to owners who are also managers are no longer able to carry out the functions of the company directly, e.g. initially the function of production, marketing, sales, purchase, finance and other executed directly by the owner, so that the whole function is handed over to the professional manager who is responsible to the owner

Audit is a process of collecting evidence. Auditing is done by the accountant as an auditor to evaluate how well the audit evidence are match to the requirements of conformity and discrepancies to indicate whether the requirements are true, they must be objective, impartial, independent, and competent, the process must be systematically and documented (Mulyadi 2002). Audit is a logical step or procedure to obtain evidence by evaluating its independence which is used as the basis for assessing and conveying the outcome (anaesthesia) which is the process of accounting results. This can be done internally or externally. The audit quality will increase if the public accountant have a better rank. Audit quality is where engineering skills such as audit experience, education, professionalism, audit standard rule structure conducted by an auditor in decision making when submitting an independence violation (Francis 2004). Where the public accountant acting as an auditor has an acknowledgement of experience and expertise in its competence when conducting audits with its independensions. Large audit companies will strive to present greater audit quality compared to small audit firms.

Corporate governance is a series of systems or mechanisms to manage stakeholders expectation and interest. They must comply with the regulations and legislation (Herbert 1971). Corporate governance According to the team of *Badan Pengawas Keuangan and Pembangunan* (BPKP) is a system of control and arrangement of companies that can be seen from the mechanism of relation between various parties that take care of the company, as well as reviewed from the values contained in the mechanism of management itself. Corporate governance is one of the key elements in increasing economic efficiency, which includes a series of relationships between the management of the company, the BOC, the shareholders and other stakeholders, which apply the principles of openness, accountability (accountability), accountability, Independence (independency), and fairness (fairness).

Independent Commissioners are commissioner that are not affiliated with the Board of directors, other members of the Board of Commissioners and controlling stackholders. They are free from any business intention that may affect his or her ability to act independently (Widjaja 2008). Independent Commissioner appointed based on GMS decision of unaffiliated party with the main shareholder, independent commissioner in the corporate governance guideline of Good (Code of Good corporate governance) should be taken from the Commissioner from outside company. The Independent commissioner is a proportional with the number of shares owned by non-controlling shareholders. The terms are the number of independent commissioners at least 30% of all members of the Commissioner (Samsul 2006).

High audit quality can be seen from the size of the Public accountant entity, because larger Public accountant entity impact the resource to improve the quality of the audit, so it can affect the earning management (Dopuch and Pincus 1988). High quality auditors can help improve the quality of financial reporting and reduce the level of profit management activity. Audit quality negatively affects the intensity of profit management, the higher the quality of the audit, the profit management is getting down, the less the tendency of management does profit management then can also improve the company's performance (Boynton, Johnson et al. 2003).

1.1 Problem formulation

The problem formulation in this study are:

1. Does the quality of audits affect profit management?
2. Is the Commissioner independent of profit management?

1.2 Research objectives

The objectives in this study are:

1. To know the quality of audits on profit management.
2. To know the Independent Commissioner on profit management.

Theorethical foundations

Positive Accounting Theory

PAT with respect to predict actions as a choice of accounting policy by the company manager and how the manager will respond to the proposed new accounting standards. PAT assumes that the company will be organizing themselves in an efficient manner so as to maximize prospects for survival. The company may be viewed as a nexus of contract meaning that its organization can be determined by the contract it is in. The cost of contracts and contracts will appear efficiently. PAT suggests accounting policies will be selected as part of a more efficient company management achievement. PAT does not advise the company should fully explain the accounting policies used. PAT argues that managers are rational and choose accounting policies for the benefit of the company.

The aim of PAT is to understand and predict the choice of managerial accounting policies in different companies. It will appear normative theory. Valuation of the ability of the normative theory to make predictions depends to the extent to which each individual actually takes a decision according to the theory.

Agency Theory

When there is a separation between the principal and the manager (agent) in the company, there is a possibility that the owner's wishes are ignored. When the owner or manager delegates a decision making authority on the other party, there is an agency relationship between the two parties. These agency relationships such as between shareholder relationships and managers, will be effective as long as the manager takes investment decisions consistent with the interests of shareholders. But when the manager's interests differ from the owner's interests, the decisions taken by the manager will most likely reflect the manager's preference compared to the owner. If, according to what is expressed by agency theory, the selfish manager acts in ways that improve their own welfare at the expense of shareholder profit, then the owner who has delegated the autotrity of decision making on their agents will lose the potential profit that should be generated from a strategy that optimizes the owner's desire (Leventis and Dimitropoulos 2012).

In general, the owners want to maximize the value of shares. When the manager also has a large number of shares of the company, they will definitely choose a strategy that generates a share value appreciation. However, when more role as a hired person and not as co-owner, then the Manjer prefer a strategy that will increase their personal compensation and not a return to the owner (Pearce and Robinson 2008).

Earning Management

A choice of accounting policies by a manager to increase or decrease the amount of revenue reported with managerial efforts to change, conceal, and suspend information in financial statements by achieving certain objectives(Sulistyanto 2008),

Reporting intervention in the external financial reporting process with the intention that the user have a wrong picture about the economic performance of the company so that the decision taken by its users in accordance with the expectation of management to increase the value of the company (Schipper 1989).

Auditing

Auditing is a systematic process to obtain and evaluate the evidence objectively concerning the asertions of activities and economic events, with the aim of establishing the degree of conformity between the asertions and the pre-determined criteria and the delivery of its results to the stakeholders. (Boynton, Johnson et al. 2003).

Independent commissioner

Independent Commissioner is a Commissioner who does not have an affiliated relationship with the shareholders of the controllers, directors and other commissioners and does not work in a double as other affiliated directors, understands the capital market regulations and elected by minority shareholders. The Independent Commissioner has the fundamental responsibility to encourage the established principles of good Corporate Governance in the company through the empowerment of the Board of Commissioners to be able to perform supervision and giving advice to the board of Directors effectively and provide added value for the company. In an effort to properly carry out its responsibilities, the Independent Commissioner must proactively strive for the Board of Commissioners to supervise and advise the board of directors in relation to, but not limited to the following:

a. Ensure that the company has an effective business strategy, including monitoring schedules, budgets and the effectiveness of such strategies.
b. Ensure that the company lifts the executives and professional managers.

c. Ensure that the company has information, control systems, and audit systems that work well.
d. Ensure that the company complies with applicable laws and regulations or the company's stipulated values in carrying out its operations.
e. Ensuring the risk and potential of the crisis is always identified and managed properly.
f. Ensure the principles and practices of good Corporate Governance are adhered to and implemented properly.

The duties of independent Commissioners as referred to in point 2. f above, among others:

1. Ensure transparency and openness of company's financial statements.
2. Fair treatment of minority shareholders and other stakeholders.
3. It reveals a transaction that contains a fair and fair conflict of interest.
4. Compliance with applicable laws and regulations.
5. Ensure accountability of the company organs.

II. HYPOTESIS DEVELOPMENT

The influence of independent commissioner on profit management

The term and existence of the new independent Commissioner arose after the issuance of the letter of Bapepam Number: SE03/PM/2000 and Securities registration Regulation Number 339/BEJ/07-2001 date 21 July 2001. According to the provisions of the public company listed on the exchange shall have several members of the Board of Commissioners who qualify as independent commissioner.

In the event that a public company is also required to appoint independent directors and commissioners, it is impartial and not only to comply with the majority of shareholder demand. Independent Commissioners may act for the benefit of the company, with respect to the interests of minority shareholders.

In practice the independence is costly and rare. However, people will turn to the person who raised it and pay it, or at least has submitted it as a member of the Board of directors or the Board of Commissioners, and here the Independent Commissioner in the situation chooses, if he chooses against its index then profit management will not occur, but if the Commissioner is interested in the same external offer then the legality of future trust will come at the stake (Darmadji 2005).

H1: Independent commissioner negatively affects profit management

The effect of Audit quality on profit management

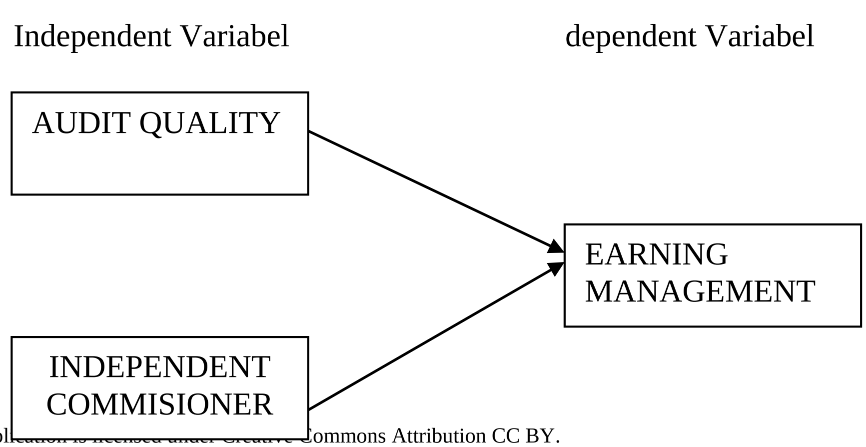
Quality control standards provide guidance for public accounting offices in conducting the quality control of audit services produced by its offices by complying with various standards published by the Public Accountant Professional Standards Council and the ethics rules of the public Accountant compartment published by the public Accountants compartment, Indonesian Institute of Accountants. In the Professional Services Alliance, the public Accountant Office is responsible for complying with the various relevant standards that have been published by the board and the public accountant compartment. In fulfilling that responsibility, the public Accountant Office must consider the integrity of its staff in establishing its professional relationship, that the public Accountant office and its staff will be independent of its clients. The ethical rules of the public accountant compartment are competent, professional, and objective and will use their professional skills carefully and carefully (due professional care). Therefore, public accountant offices must have a quality control system to provide adequate confidence in the suitability of professional alliance with various relevant standards and regulations.

The Audit on the financial statements compiled under the principles of general accounting, is one among the attest service that can be provided by the Public Accountant office to the public. In recent years, the demand for services by clients, government agencies, and other parties has expanded, not only limited to the audit of historical financial statements, but also includes the service of a public accountant that provides a level of assurance under the level of confidence given by the Auditor in the audit of historical financial statements.

The standard of Atestation was compiled to provide general guidance on all types of Atestment Alliance, which includes examination services, reviews, and procedures agreed upon by management. Inspection services for historical financial statements are specifically arranged by the board through auditing standards. Thus on the basis of the audit quality can not be doubtful and can not be manipulated so that the management that performs profit management can be prevented (Gade 2005).

H2: Audit quality negatively affects profit management.

Research Framework



Research Method

This research uses a quantitative approach by conducting hypothesis testing. Quantitative research methods can be interpreted as a research method based on the philosophy of positivism, used to research on certain populations or samples, data collection using research instruments, quantitative data analysis or statistics, with the aim of testing a predetermined hypothesis. The purpose of this research is to determine whether there is an influence between deferred tax assets and accruals on corporate profit management. As a bound or dependent variable is profit management and free or independent variables are deferred tax assets and accruals.

III. MEASUREMENT

The operational definitions and variable measurements in this study are:

1. Audit Quality

Audit quality is the existence of auditor appointed by the company. To present the information contained in the financial statements correctly and reliably, the company uses the services of independent auditors as external parties who can provide audit opinions on financial statements presented by the management of the company. The use of this independent auditor will lead to the quality of audit to be provided. One indicator of the quality of the audit is to classify the public Accountant General Four (Deloitte, PriceWaterHouseCoopers, KPMG, Ernst & Young) with the Office of non public accountant Big Four (Darmawan dan Sukartha, 2014). This audit quality variable will be measured with dummy scale :

0 = for a company audited by *non big four public accountant*
1 = for a company audited by *big four public accountant*

2. Independent Commisioner

The existence of the independent Board of Commissioners is expected to improve supervision so as to prevent the company tax evasion by management. The measurement of independent commissioners in this study uses a percentage of the number of independent Commissioners on the total number of Commissioners in the composition of the company board of Commissioners. The Independent Commissioner's variable will be measured by the percentage of independent Board of Commissioners divided by the total number of the company's board of Commissioners. The independent Board of Commissioners is one who has no affiliation with the Board of directors or the BOC and does not serve as a director of a company related to the owner's company according to the regulations issued by IDX. The Independent Commissioner's calculation is calculated as follows:

$$\text{KOMIND} = \frac{\text{Number of independent commissioners}}{\text{The total number of commissioners}}$$

3. Earning Management

Accrual profit management is an action taken either through accounting policy options that have no influence on the cash flow directly with the aim of fulfilling or regulating a specific profit target (Roychowdhury, 2006). Accrual profit management will be indicated by discretionary accruals and profit aggressiveness. To calculate a single variable of accrual profit management, a factor analysis is performed. Discretionary accrual detection uses a Kothari et al. (2005) model. The Model has a stronger predictor power because it provides additional company performance (return on asset) in the total regression of the accruals (Bustanul et al., 2012). The stages of discretionary accrual measurement with the Kothari et al. (2005) models are as follows.

1. Calculating the total accruals using the cash flow approach, namely:

$TA_{it} = NI_{it} - CFO_{it}$...(2)

2. Determining the coefficient of total regression of accruals.

A discretionary accrual is the difference between the total accrual (TA) and Nondiscretionary accrual (NDA). The initial step for specifying Nondiscretionary accrual is to perform the following regression:

$TA_{it}/A_{it-1} = \alpha(1/A_{it-1}) + \beta1((\Delta REV_{it} / A_{it-1}) + \beta2(PPE_{it}/A_{it-1}) + \beta3(ROA_{it})$.......(3)

3. Determining *nondiscretionary accrual*.

The regression performed in (2) produces the coefficient of β1, β2, and β3. The coefficient of β1, β2, and β3 is then used to measure nondiscretionary accrual through the following equation:

$NDA_{it}=\alpha'(1/A_{it-1})+\beta1'((\Delta REV_{it}-\Delta REC_{it})/A_{it-1})+\beta2'(PPE_{it}/A_{it-1})+\beta3'(ROA_{it})$……(4)

4. Determining *discretionary accrual*.

After a nondiscretionary accrual accrual is obtained, then discretionary accrual can be calculated by reducing the total accruals (calculation result at number 1) with nondiscretionary accrual (calculation result at number 3). Discretionary accruals (DA) or discrete accruals can be counted as follows.

$DA_{it} = TA_{it} / A_{it-1} - NDA_{it}$…………………………………………………. (5)

Description:

NI_{it} = *Net Income* company i for the year t
CFO_{it} = Cash flow from enterprise operation activity i in period t
TA_{it} = Total company Accruals i in year t
NDA_{it} = *Nondiscretionary accrual* company i for the year t
DA_{it} = Akrual diskresioner company i for the year t
ΔREV_{it} = Changes in company revenue i for the year t-1
ΔREC_{it} = Changes in Receivables i year between t and t-1
PPE_{it} = PPE level company i for the year t
ROA_{it} = Net income year t divided by the total asset of the year t-1
A_{it-1} = Company's total activa i at the end of the year t-1
α' β1' β2' β3'. = the regression coefficient Kothari
α' β1' β2' β3' = *Fitted Coefficient* as a result of regression model Kothari

The data

The data used in this quantitative research is the company's audited financial statements for 2017-2018. Data in the form of financial reports and annual reports obtained from the official website of the Indonesia Stock Exchange www.idx.co.id.

Sampling and Population

In this study the population is manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2017-2018 period. Samples taken from the population must be truly representative. The sampling method that will be used in this study is the judgment sampling method, which is one form of purposive sampling by taking a predetermined sample based on the aims and objectives of the study. The criteria used in this study are:

1. Manufacturing companies publish consecutive and complete financial statements during the 2017-2018 period.
2. The manufacturing company publishes financial statements as well as using the Rupiah during the 2017-2018 period.
3. Manufacturing companies publish financial statements as well as the period as of December 31 during the period 2017-2018.
4. Manufacturing companies that have complete data for research during the 2017-2018 period.

Data Analysis

Classical Assumption Test

Forecasting can be done using a regression model. Models with minimal forecasting errors which are good models. Regression model is said to be a good model if the model meets the classical assumptions of free statistics, be it multicollinearity, autocorrelation, normality, and heteroscedasticity.

This research uses multiple linear regression analysis. After that, a multiple linear regression test was carried out using SPSS. The tests that will be carried out are simultaneous test (F test) and Partial test (t test) with a level of significance or probability (α) and a level of confidence or confidence level. The level of significance starts from a maximum of 5% or 0.05.

Regression

Regression testing conducted on the regression equation will be tested on classical assumptions which consist of normality test, heteroscedasticity test, autocorrelation test, and multicollinearity test. The following are the test results from the SPSS:

a. Data Normality
The Normality data test result as follows

Table 1
Normality test result

Model	*Asymp. Sig (2-tailed)*	Conclussion
1	0,312	Normally distributed

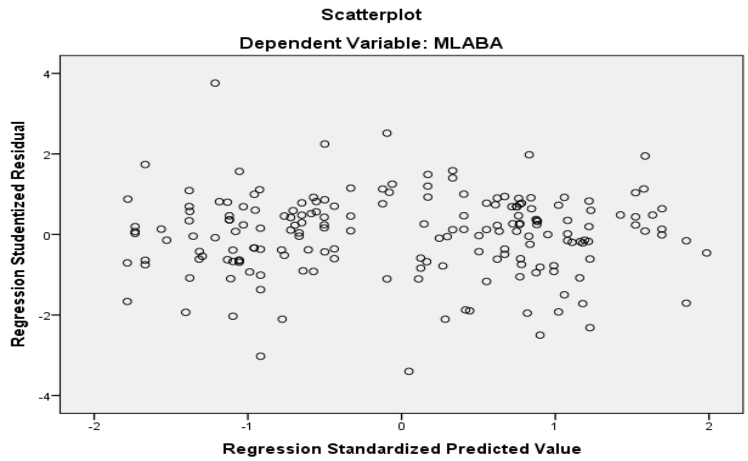
Source: researcher, 2020.

From the classic assumption test table it can be seen that the level of significance of one sample Kolmogorov-Smirnov shows a number above 0.05 so that it can be concluded that the data is normally distributed.

b. Heteroskedasticity test

From the heteroscedasticity graph (Figure 1) generated from SPSS, it can be seen that the plot graph is between the predicted value of ZPRED and the residual value SRESID. There are no specific patterns, and dotted patterns menyebar pada grafik *scatterplot* sehingga dapat disimpulkan tidak terjadi heterokedastisitas.

Figure 1
Scatterplot graph



c. Autocorrelation test

The autocorrelation test aims to test whether in the linear regression model there is a correlation between the error of the intruder in the t period and the error of the intruder in the t-1 period (before). To find out whether or not there is autocorrelation, you can do a statistical test from Durbin Watson (DW test). To test the presence or absence of autocorrelation, the criteria used if the durbin watson value produced by SPSS is located between -2 to +2, then no autocorrelation occurs. Watson durbin value of this study is 1.693 which means it is in the interval of -2 to +2, then the regression of this study is free from autocorrelation.

d. Multikolinearity test

Multicollinearity test aims to test whether the regression model found a correlation between independent variables (Ghozali 2011). Multicollinearity can be seen from the value of tolerance and its opponents as well as the variance inflation factor (VIF). Both of these measurements indicate which of each independent variable is explained by other independent variables. From the multicollinearity test table it can be seen that the VIF value for variables is less than 10 for variables in the regression model 1. It was concluded that the regression model 1 does not have multicollinearity between the independent variables in the regression model, because the VIF value <10 and tolerance value> 0.1 are meaning that there is no multicollinearity.

Hypotesis Test

To find out the effect of the independent variables on the dependent variable in the regression model 1, multiple regression analysis will be performed whose results can be seen in the following table.

Table 2
Multiple Regression Results

Variable	**Koefisien**	**Std.Error**	**t-statisitik**	**Sig.**	**Conclusion**
Constant	0,017	0,223	2,173	0,031	
KOMIND	0,492	0,635	0,076	0,940	Hypothesis rejected
AUDIT	0,017	0,223	-1,571	0,118	Hypothesis rejected
R	0,146	R square	0,021		
F Count	0,987	Sig F	0,416		

Source: Processed, 2020.

Based on the above table, the regression equation is obtained as follows:

MProfit = 0,017 + 0,492KOMIND + 0,017AUDIT

The explanation of the equation is as follows:

a. The constant (α) of 0.017 indicates that if the independent and control variable variables are 0 (zero), then earnings management will increase by 0.017.

b. The regression coefficient (β1) for an independent commissioner of 0.017 indicates that if the variable increases by one unit, the value of lana management will increase by 0.017.

c. The regression coefficient (β4) for audit quality of -0.109 indicates that if the variable increases by one unit, the value of lana management will decrease by 0.109.

d. The coefficient of determination seen from the value of R Square is 2.1%. This shows that 2.1% of the company's earnings management variables can be explained by independent variables, while the rest is explained by other variables not examined in this study. Based on table 5.6 it can be seen that the results of the t test for the independent variable independent commissioners and audit quality have no effect on earnings management, because the significance value is greater than 0.05.

IV. DISCUSSION

Influence of Independent Commissioners on Earnings Management Hypothesis 1 testing in this study is to test whether the proportion of independent commissioners has an effect on earnings management. The results of this study indicate the calculated T value of 0.076 with a significance probability of 0.940 which is above α = 0.05 so that it is concluded that the proportion of independent commissioners does not affect earnings management or in other words H1 is rejected.

According to the National Committee on Governance Policy (2006) the board of commissioners has a very important role and role of being a body that carries out supervision and provides advice to directors and ensures that the corporate governance system is run properly. Remembering the role of the board of commissioners is so important, then to maintain integrity and ensuring that the board of commissioners carries out their duties professionally, then there must be an independent commissioner on them. An independent commissioner is a commissioner who is not from an affiliated party or in other words has a business or family relationship with the controlling shares, directors or other board of commissioners.

In accordance with this perspective, it is supported by Bapepam No IA's rules regarding General Provisions for Listing of Securities in the context of good management of listed companies. - at least 30% (thirty percent) of the total number of commissioners. The results showed a low proportion of independent board of commissioners owned by the sample company. There were even 10 data that showed the company did not have an independent commissioner at all. In addition, the number of independent commissioners is still too small, the average is only around 2 to 3 people and still has not reached 30%. The number of independent directors must be met in order to be able to guarantee effective earnings management oversight mechanisms in accordance with statutory regulations. If it is related to the implementation in Indonesia, the application of independent commissioners can still be said to be quite weak but there are no strict sanctions issued by the regulator as part of the tightening of the implementation of corporate governance.

Effect of Audit Quality on Earnings Management

Testing hypothesis 4 in this study is to test whether audit quality affects earnings management. The results of this study indicate the calculated T value of -1.571 with a significance probability of 0.118 which is above α = 0.05 so that it is concluded that audit quality does not affect earnings management or in other words H3 is rejected. The results of this study are in line with the results of previous studies conducted by Christiani and Nugrahanti (2014) and Pambudi and Sumantri (2014).

Audit quality can be interpreted as the auditor's ability to detect material misstatements in the company's financial statements and the auditor's ability to report material misstatements so that the financial statements do not mislead the users of the financial statements. Audit quality is considered as a factor that can improve the quality of financial statements reported by companies so that it is expected to be able to increase investor confidence in the company (De Angelo, 1981; Arens, 2014: 4).

Audit quality can be interpreted as good or not an examination that has been carried out by the auditor. Based on auditing Professional Standards for Public Accountants (SPAP) auditors are said to be qualified, if they meet the provisions or auditing standards. Auditing standards include professional quality, independent auditors, judgment (judgment) used in conducting audits and preparing audit reports. Audit quality is also defined as the level of accountant's ability to understand the client's business. Many factors play a role in this level of capability such as accounting values that can describe a company's economic situation, including the flexibility of using generally accepted accounting principles (GAAP) as a standard rule, the ability to compete competitively as described in financial statements and their relationship to business risk, and etcetera.

There are various types of public accounting firms in Indonesia, usually classified as big four and non big four

Acconting Firms. Big four Acconting Firms (Deloitte, Pricewaterhouse Coopers, KPMG, Ernst & Young) are four Acconting Firms that are not only well-known in Indonesia but are also well-known and of internationally recognized quality. This is because the big four Acconting Firm is more competent in conducting audits and maintaining the reputation and brand name in conducting audits. In addition to recruiting personnel, Acconting Firm big four sets high standards and qualifications so that only potential people can become personnel of Acconting Firm big four. After that, the big four Acconting Firm personnel will be given in-depth training to make their personnel more competent in accounting and auditing.

By looking at the reputation of the big four, there are many public companies that conduct an audit engagement with the big four Acconting Firm. This is not aimed at reducing the existence of earnings management practices within the company but rather towards wanting to increase the credibility of the company's financial statements so that a more reliable financial report will be produced. This view is influenced by the assumption that investors know the big four Acconting Firm big names and their quality so that if the company's financial statements are audited by the big four Acconting Firm it will increase the credibility of the financial statements. This is because investors consider that the company's financial statements that have been audited by the big four Acconting Firm are very reliable.

In addition, other causes that cause audit quality do not affect earnings management are the possibility of earnings management practices occurring within the company because the company wants the company's performance to look good through the company's financial statements in the eyes of investors and potential investors, leaving aside whether the big four or other Acconting Firm which audits the company's financial statements.

V. CONCLUSIONS AND SUGGESTIONS

This study examines the effect of independent commissioner disclosure and audit quality on earnings management. The following is the conclusion of this determination:

1. Independent commissioners have no effect on corporate earnings management. This is because the number of independent commissioners must be met in order to be able to guarantee an effective earnings management monitoring mechanism in accordance with statutory regulations. If it is related to the implementation in Indonesia, the application of independent commissioners can still be said to be quite weak but there are no strict sanctions issued by the regulator as part of the tightening of the implementation of corporate governance.

2. Audit quality does not affect the company's earnings management. Audit quality does not affect earnings management is the possibility of earnings management practices occur within the company because the company wants the company's performance to look good through the company's financial statements in the eyes of investors and prospective investors, by ruling out whether the big four Acconting Firms or other Acconting Firms auditing the company's financial statements.

VI. SUGGESTIONS

The suggestions contributed in this research are:

1. For further research, the use of samples should be expanded beyond the manufacturing sector listed on the Indonesia Stock Exchange, so that the results of the study are able to describe the situation in Indonesia.

2. For further research, can try earnings management indicators other than the modified Jones model, can use measurements with the accrual and real earnings manipulation models, the Kaznik model, and so on.

3. For companies, it is expected that companies in Indonesia will continue to pay attention and consider the actions of corporate earnings management in achieving company effectiveness and efficiency without negative actions or manipulations that are not in accordance with the applicable accounting rules and regulations in Indonesia.

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AUTHORS

First Author – Mahrezaldy Creza, Airlangga University