



THE EFFECT OF GOOD CORPORATE GOVERNANCE MECHANISM AND PUBLIC ACCOUNTING FIRM SIZE ON PROFIT MANAGEMENT IN MANUFACTURING CONSUMER GOODS INDUSTRY SECTORS REGISTERED IN INDONESIA STOCK EXCHANGE FOR 2016-2018

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Abstract – This study aims to examine whether the influence of the mechanism of Good Corporate Governance and public accounting firm Size on Company Value in manufacturing companies in the consumer goods industry sector is listed on the Indonesia Stock Exchange (IDX). This research uses a descriptive quantitative research approach, measured using panel data-based methods with Eviews 10. The population in this research is manufacturing companies in the consumer goods industry sector which are listed on the Indonesia Stock Exchange (BEI) in 2016 up to 2018. Samples determined based on purposive sampling method, with a total sample of 34 manufacturing companies in the consumer goods industry sector so that the total observations in this study were 54 observations. The data used in this study are secondary data. Data collection techniques using the method of documentation through the official website of IDX: www.idx.co.id. The results of the study prove that (1) Managerial Ownership influences Profit Management in the manufacturing companies of the consumer goods industry sector which are listed on the Indonesia Stock Exchange in 2016-2018. (2) Institutional ownership influences Profit Management in consumer goods manufacturing sector companies listed on the Indonesia Stock Exchange in 2016-2018. (3) Independent Commissioner has no effect on Profit Management in consumer goods manufacturing sector companies registered with manufacturing companies in the industrial sector in 2016-2018. (4) The Audit Committee has no effect on Profit Management in the manufacturing companies of the consumer goods industry sector which is listed on the Indonesia Stock Exchange in 2016-2018. (5)

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public accounting firm size influences Profit Management in manufacturing companies in the consumer goods industry sector which are listed on the Indonesia Stock Exchange in 2016-2018. (6) The GCG mechanism and public accounting firm size do not jointly influence the Profit Management in consumer goods manufacturing companies listed on the Indonesia Stock Exchange in 2016-2018.

Keywords: GCG Mechanism, Managerial Ownership, Ownership Institutional, Independent Commissioner, Audit Committee, Public accounting firm Size, Profit Management.

INTRODUCTION

Earnings management practices have eroded investor confidence in the quality of financial reporting and hampered the smooth flow of capital on financial markets. Therefore, it is necessary to control mechanisms to align the differences of interests between management and the principals of good corporate governance, one of which is the purpose of the mechanism is to prevent actions and minimize earnings management. Good Corporate Governance or called corporate governance is a set of regulations governing the relationship between shareholders, company management, creditors, government, employees, and other internal and external stakeholders relating to their rights and obligations (Hery, 2010: 11) . In addition, KAP size is expected to minimize earnings management actions taken by management.

Good Corporate Governance Mechanism

The corporate governance mechanism in this study uses all variables proxied by managerial ownership, institutional ownership, independent commissioners and audit committees, as follows:

1. Managerial ownership

Pasaribu, Topowijaya and Sri (2016: 156), managerial ownership is the owner or shareholder by the company management who actively plays a role in corporate decision making.

2. Institutional ownership

Nuraina (2012: 116), institutional ownership is the percentage of shares of companies owned by institutions or institutions (insurance companies, pension funds, or other companies).

3. Independent commissioner

Indriastuti (2012: 533) The board of commissioners is a corporate organ that has full responsibility and authority for the management of the company.

4. Audit committee

Effendi (2016: 59-60) The audit committee should be able to communicate effectively with commissioners, directors, and internal and external auditors.

5. KAP size

Audit is a process used to reduce inconsistencies between principals and agents by using outsiders to provide endorsement of financial statements (Sari, 2016: 7). Selection of the right external auditor by looking at the KAP size will certainly guarantee the independence and professionalism of the auditor.

6. Earnings management

Earnings management is an activity carried out by management with the aim of producing better earnings information (Ningsih, 2017: 1).

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Influence between variables

H1: managerial ownership has no effect on earnings management.

H2: institutional ownership influences earnings management.

H3: Board of Commissioners influences earnings management activities.

H4: Audit committee influences earnings management activities.

H5: KAP size influences earnings management

H6: GCG Mechanisms and KAP Size influence Earnings Management.

Research Conceptual Framework

This study has 4 independent variables, namely institutional ownership, managerial ownership, independence commissioner, and audit committee, and has 1 dummy variable that is KAP size and has 1 dependent variable (dependent variable), namely earnings management.

Research Strategies

The research strategy according to Sugiyono (2016: 2) is a scientific way to obtain data with specific purposes and uses. The research strategy in this study uses causality research that is research aimed at explaining the effect of two or more variables, namely the effect of good corporate governance and KAP size on earnings management.

Research Population

Population according to Sugiyono (2016: 80) can be interpreted as a generalization area consisting of objects or subjects that have certain qualities and characteristics set by researchers to be studied and then conclusions drawn. The population used is manufacturing companies in the consumer goods industry sector and there are 54 companies listed on the Indonesia Stock Exchange in 2016 - 2018.

Research Samples

The sample according to Sugiyono (2016: 81) is a part of the number and characteristics possessed by the population. The research sample is determined based on purposive sampling which means the selection of samples is based on certain criteria. The criteria for manufacturing companies in the consumer goods industry sector that are sampled include:

1. Manufacturing companies in the consumer goods industry sector which are listed on the Indonesia Stock Exchange.
2. The sample company did not experience delisting during the observation period.
3. Company financial reports are available in full during 2016-2018 through the website.

Purposive Sampling Results

Criteria	total
1. Manufacturing companies in the consumer goods industry sector which are listed on the Indonesia Stock Exchange	54
2. Manufacturing companies in the consumer goods industry sector which are listed on the Indonesia Stock Exchange with complete financial statements from 2016-2018.	28

Based on the table of purposive sampling results above, the samples used in this study amounted to 28 companies. The following table lists the companies that were sampled in the study:

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Daftar Perusahaan Manufaktur Sektor Industri Barang Konsumsi yang Terdaftar di Bursa Efek Indonesia

No	Company Name	Code
1	Akasha Wira International Tbk.	ADES
2	Tri Banyan Tirta Tbk.	ALTO
3	Bumi Teknokultura Unggul Tbk	BTEK
4	Budi Starch & Sweetener Tbk.	BUDI
5	Wilmar Cahaya Indonesia Tbk.	CEKA
6	Chitose Internasional Tbk.	CINT
7	Delta Djakarta Tbk.	DLTA
8	Darya-Varia Laboratoria Tbk.	DVLA
9	Gudang Garam Tbk.	GGRM
10	H.M. Sampoerna Tbk.	HMSP
11	Indofood CBP Sukses Makmur Tbk	ICBP
12	Inti Agri Resources Tbk	IIKP
13	Indofood Sukses Makmur Tbk.	INDF
14	Kimia Farma (Persero) Tbk.	KAEF
15	Kedaung Indah Can Tbk	KICI
16	Kino Indonesia Tbk.	KINO
17	Kalbe Farma Tbk.	KLBF
18	Langgeng Makmur Industri Tbk.	LMPI
19	Martina Berto Tbk.	MBTO
20	Multi Bintang Indonesia Tbk.	MLBI
21	Bentoel Internasional Investam	RMBA
22	Nippon Indosari Corpindo Tbk.	ROTI
23	Sekar Bumi Tbk.	SKBM
24	Mandom Indonesia Tbk.	TCID
25	Tempo Scan Pacific Tbk.	TSPC
26	Ultra Jaya Milk Industry & Tra	ULTJ
27	Unilever Indonesia Tbk.	UNVR
28	Wismilak Inti Makmur Tbk.	WIIM

Source: Indonesia Stock Exchange, Processed by the Author (2019)

Data and Data Collection Methods

The type of data used in this study is secondary data, that is data that has been audited and published by companies in the form of annual financial reports on manufacturing companies in the consumer goods industry sector which are listed on the Indonesia Stock Exchange 2016-2018. The research data collection method is the method of documentation and literature study.

Variable Operations

1. The independent variable

The independent variable in this study is good corporate governance including managerial ownership, institutional ownership, independence commissioner, audit committee and KAP size.

1. Managerial ownership (MO)

Management Ownership Variables (MO) in this study were measured using the following formula:

$$MO = \frac{\text{number of shares owned by management}}{\text{Total outstanding shares}} \times 100\%$$

2. Institutional ownership (IO)

The variable Institutional Ownership (IO) in this study was measured using the following formula:

$$IO = \frac{\text{Number of shares owned institutionally}}{\text{Total outstanding shares}} \times 100\%$$

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3. Independent commissioner (IC)

Independent commissioners can be measured using the formula:

$$IC = \frac{\text{Number of commissioners from outside the company}}{\text{all members of the company's board of commissioners}}$$

4. Audit committee

The audit committee can be measured using the formula:

$$\text{Audit Committee} = \text{Number of Audit Committee Members in the Company}$$

2. **Dummy variable**

Dummy variables are variables that are used to quantify qualitative variables. The dummy variable only has 2 (two) values, namely 1 and 0, and is given the symbol D. Dummy has a value of 1 (D = 1) for one category and zero (D = 0) for the other category. The dummy variable in this study is the KAP size (KAP S).

3. **Dependent variable**

The dependent variable is the variable that is explained or influenced by the independent variable. The dependent variable used in this study is (EM) earnings management (Y).

$$TA_{it} = N_{it} - CFO_{it}$$

$$\frac{TA_{it}}{A_{it-1}} = \alpha \left(\frac{1}{A_{it-1}} \right) + \alpha \left(\frac{\Delta Sales_{it}}{A_{it-1}} - \frac{\Delta RECT_{it}}{A_{it-1}} \right) + e$$

$$NDA_{it} = \alpha \left(\frac{1}{A_{it-1}} \right) + \alpha \left(\frac{\Delta Sales_{it}}{A_{it-1}} - \frac{\Delta RECT_{it}}{A_{it-1}} \right) + \alpha \left(\frac{PPE_{it}}{A_{it-1}} \right)$$

$$DA_{it} = \left(\frac{T_{\infty it}}{A_{it-1}} \right) - NDA_{it}$$

List of Indicator Tables

Variable Indicator		
Variable	Indicator	Scale
Independent Variable		
Managerial ownership (X ₁)	$MO = \frac{\text{number of shares owned by management}}{\text{Total outstanding shares}} \times 100\%$	Rasio
Institutional ownership (X ₂)	$IO = \frac{\text{Number of shares owned institutionally}}{\text{Total outstanding shares}} \times 100\%$	Rasio
Independent commissioner (X ₃)	$IC = \frac{\text{Number of commissioners from outside the company}}{\text{all members of the company's board of commissioners}}$	Rasio
Audit committee (X ₄)	Audit Committee = Number of Audit Committee Members in the Company	Number
KAP Size (X ₄)	KAP big four = 1 and KAP non big four = 0	Number
Dependen Variable		
Earning Management (Y)	$DA_{it} = \left(\frac{T_{\infty it}}{A_{it-1}} \right) - NDA_{it}$	Rasio

Source: Processed by the author (2019)

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Data analysis method

The analysis technique used in this research is quantitative analysis which is processed using Eviews software. Data analysis in this study uses panel data which is a combination of time series data and cross section data. The stages in conducting quantitative analysis consist of:

Descriptive statistics

Descriptive statistics provide a description or description of the data seen from the average value (mean), standard deviation, variance, maximum, minimum (Ghozali, 2013).

1. Common Effect Model (CEM)

The common effect model is the merging of time-series and cross data section is then regressed in the OLS (Ordinary Least Square) method.

2. Fixed Effect Model (FEM)

The fixed effect model assumes that differences between individuals can be seen from differences in their intercepts, although there may be differences between intercepts, but intercepts between individuals do not vary with time (constant).

3. Random Effect Model (REM)

The random effect model will estimate panel data where interruption variables may be interconnected between time and between individuals.

Selection of Panel Data Regression Model

1. Chow Test

The chow test is used to choose between the common effect model or the fixed effect model that is most appropriate for use. The basis for decision making in this test is as follows (Winarno, 2015: 252):

- If the probability value for the cross section $F > 0.05$ significant value then H_0 is accepted, then the Common Effect Model (CEM) is used.
- If the probability value for the cross section $F < \text{significant value}$ is 0.05 then H_0 is rejected, then the Fixed Effect Model (FEM) is used.

2. Hausman Test

Hausman test is used to choose whether the fixed effect model or the random effect model is the most appropriate to use. The basis for decision making in this test is as follows (Winarno, 2015: 254):

- If the probability value for a random cross section $> \text{significant value}$ is 0.05 then H_0 is accepted, then the Random Effect Model (REM) is used.
- If the probability value for a random cross section $< \text{significant value}$ is 0.05 then H_0 is rejected, then the Fixed Effect Model (FEM) is used.

3. Lagrange Multiplier Test

Lagrange multiplier test is used to choose the best approach between the common effect model or random effect model approach in estimating panel data. The basis for decision making in this test is as follows (Gujarati and Porter, 2012: 248):

- If the Breusch-Pagan cross section value > 0.05 is significant then H_0 is accepted, then the Common Effect Model (CEM) is used.
- If the Breusch-Pagan cross section value $< \text{significant value}$ is 0.05 then H_0 is rejected, then the Random Effect Model (REM) is used.

Multiple Linear Regression Analysis

The form of the regression model used as a basis is a form of linear function, namely:

$$\text{Earning Management} = a + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + e$$

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Hypothesis test

Testing the hypothesis is carried out with a significance level of p-value (probability value) of = 5%. The rules in decision making are:

- If the p-value (significance) $< \alpha = 5\%$ and the sign of the regression coefficient matches the predicted then the alternative hypothesis is supported.
- If the p-value (significance) $> \alpha = 5\%$ and the sign of the regression coefficient does not match what was predicted then the alternative hypothesis is not supported.

The statistical tests conducted are:

1. Individual Parameter Significance Test (t Test)

The significance level that the authors used in this t test was at the level of 5% (0.05). If the significance value < 0.05 then it is stated that the independent variable influences the dependent variable, conversely if the significance value > 0.05 then it is stated that the independent variable has no effect on the dependent variable (Sugiyono, 2013: 270).

2. Simultaneous Significance Test (Test F)

The significance level that the authors use in the F test is at the level of 5% (0.05). If the significance value < 0.05 then it is stated that the independent variable influences the dependent variable, conversely if the significance value > 0.05 then it is stated that the independent variable has no effect on the dependent variable (Sugiyono, 2013: 266).

3. Coefficient of Determination (R²)

A small R² value means that the ability of the independent variables to explain the variation of the dependent variable is very limited. Values that are close to 1 (one) means that the independent variables provide almost all the information needed to predict the dependent variation, meaning that the greater the effect of the independent variable on the dependent variable (Sugiyono, 2013: 260).

Research Data Analysis

The Indonesia Stock Exchange (IDX) or the Indonesia Stock Exchange (IDX) is a party that organizes and provides a system and means to bring together the sale and purchase offers of other parties for the purpose of trading securities between them. The Indonesia Stock Exchange divides groups of company industries by the sector it manages. The consumer goods industry sector is one of the manufacturing sectors as well as a major contributor to Indonesia's economic growth. The consumer goods industry sector has an important role in triggering the country's economic growth which is urgently needed, due to the increasing needs of Indonesian people's lives. In this study the population taken was manufacturing companies in the consumer goods industry sector which were listed on the Indonesia Stock Exchange in the 2016-2018 period. The sample in this study uses a purposive sampling method which means the selection of samples with certain criteria. Based on the results of purposive sampling, the samples in this study were 18 companies.

Descriptive Statistical Analysis

Descriptive Statistics Results

	EM	MO	IO	IC	AC	KAP S
Mean	-0.00000714	0.052077	0.700281	0.425195	1.089565	0.476190
Median	0.001000	0.000100	0.794050	0.400000	1.098600	0.000000
Maximum	0.006400	0.682800	0.997700	1.000000	1.386300	1.000000
Minimum	-0.073100	0.000000	0.051400	0.000000	0.693100	0.000000
Std. Dev.	0.008178	0.153287	0.233467	0.170119	0.104084	0.502432

(Source: Output Eviews 10)

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Based on the table known observations based on the 2016 to 2018 financial statements. Earnings management has a mean of -0.00000714 with a standard deviation of 0.008178 and a minimum value of -0.073100 and a maximum value of 0.006400. Managerial ownership has a mean of 0.052077 with a standard deviation of 0.153287, and a minimum value of 0.000000 and a maximum value of 0.682800. Institutional ownership has a mean of 0.700281 with a standard deviation of 0.008178, and a minimum value of 0.051400 and a maximum value of 0.682800. Independent Commissioners have a mean of 0.425195 with a standard deviation of 0.170119, and a minimum value of 0.000000 and a maximum value of 1.000000. The Audit Committee has a mean of 1.089565 with a standard deviation of 0.104084, and has a minimum value of 0.693100 and a maximum value of 1.386300. KAP size has a mean of 0.476190 with a standard deviation of 0.502432, and has a minimum value of 0.000000 and a maximum value of 1.000000.

Selection of Panel Data Regression Model

1. Chow Test (Common Effect Model vs. Fixed Effect Model)

Model Test Results Using Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	0.447481	(27,51)	0.9868

(Source: Eviews 10 Panel Data Regression Output Results)

Obtained Fcount of 0.447481 and probability value (P-value) of 0.9868 > 0.05, significant at $\alpha = 5\%$, then the H0 hypothesis is accepted and H1 is rejected which means the Common Effect Model (CEM) is more appropriate.

2. Hausman Test (Random Effect Model vs. Fixed Effect Model)

Model Test Results Using the Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.773517	5	0.8795

(Source: Eviews 10 Panel Data Regression Output Results)

Obtained a random cross section of 1.773517 and a probability value (P-value) of 0.8795 > 0.05, significant at $\alpha = 5\%$, then the H0 hypothesis is accepted and H1 is rejected which means the Random Effect Model (REM) is more appropriate to use.

3. Lagrange Multiplier Test (Common Effect Model vs. Random Effect Model)

Model Test Results Using the Lagrange Multiplier

	Cross-section	Period	Both
Breusch-Pagan	5.307957	8.92E-06	5.307966
	(0.0212)	(0.9976)	(0.0212)

(Source: Eviews 10 Panel Data Regression Output Results)

Obtained cross section Breusch-food > 0.05 which is 0.0212 < 0.05, significant at $\alpha = 5\%$, then the hypothesis H0 is rejected and H1 is accepted which means the Random Effect Model (REM) is more appropriate to use.

Model Conclusions

Based on the results of tests conducted using panel data regression models, the results are random effect models that will be used to further analyze in this study.

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Panel Data Regression Analysis

Panel Data Regression Test Results Using the Random Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EM	-0.003213	0.010414	-0.308545	0.7585
MO	0.017280	0.008307	2.080181	0.0408
IO	0.014626	0.005736	2.550047	0.0127
IC	-0.001848	0.005947	-0.310718	0.7568
AC	-0.007133	0.009565	-0.745772	0.4580
KAP S	0.001305	0.002134	0.611824	0.5424

(Source: Eviews 10 Panel Data Regression Output Results)

Based on the results above, the panel data regression equation is obtained as follows :

$$\text{EARNING MANAGEMENT} = -0.003213 + 0.017280 \text{ OWNERSHIP MANAGEMENT} + 0.014626 \text{ INSTITUTIONAL OWNERSHIP} - 0.001848 \text{ INDEEPENDENT COMMISSIONERS} - 0.007133 \text{ AUDIT COMMITTEE} + 0.001305 \text{ KAP SIZE} + e$$

1. The value of the Earning Management constant is -0.003213, which means that when the other independent variables are zero, the Profit Management is -0.003213.
2. The value of the regression coefficient Managerial Ownership of 0.017280 it explains if each Managerial Ownership has increased by 1%, then Earnings Management will increase by 0.017280 assuming that the other independent variables of the regression model are fixed.
3. Regression coefficient value of Institutional Ownership of 0.014626 it explains that if each growth of Institutional Ownership has increased by 1% then Earnings Management will increase by 0.014626 assuming that the other independent variables of the regression model are fixed.
4. The Independent Commissioner regression coefficient value of -0.001848, this explains that if each Independent Commissioner has decreased by 1%, then Earnings Management will increase by -0.001848 with the assumption that the other independent variables of the regression model are fixed.
5. The Audit Committee regression coefficient value of -0.007133, this explains that if each Audit Committee has decreased by 1%, then Earnings Management will increase by -0.007133 with the assumption that the other independent variables of the regression model are fixed.
6. The KAP Regression coefficient value of 0.001305 explains that if each KAP Size has increased by 1% then Earnings Management will increase by 0.001305 assuming that the other independent variables of the regression model are fixed.

1. Partial Test (t Test)

Partial Test Results (t test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EM	-0.003213	0.010414	-0.308545	0.7585
MO	0.017280	0.008307	2.080181	0.0408

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IO	0.014626	0.005736	2.550047	0.0127
IC	-0.001848	0.005947	-0.310718	0.7568
AC	-0.007133	0.009565	-0.745772	0.4580
KAP S	0.001305	0.002134	0.611824	0.5424

(Source: Eviews 10 Panel Data Regression Output Results)

Hypothesis test results indicate that the value of t_{table} with real rates = 5%; $df = n - k - 1 = 36$ that is $df = 60 - 3 - 1 = 56$ then the value of t_{table} is 2.00324. Based on this data it appears that:

1. Managerial Ownership has a t_{count} of 2.080181 namely $2.080181 > 2.00324$ so $t_{count} > t_{table}$ with a probability of 0.0408 < 0.05 , meaning that Managerial Ownership has an effect on Earnings Management.
2. Institutional Ownership has a t_{count} of 2.550047 ie $2.550047 > 2.00324$ so that $t_{count} < t_{table}$ with a probability of 0.0127 < 0.05 , meaning that Institutional Ownership has an effect on Earnings Management.
3. Independent Commissioner t_{count} of -0.310718 ie $-0.310718 < 2.00324$ so that $t_{count} > t_{table}$ with a probability of 0.7568 > 0.05 , meaning that the Independent Commissioner has no effect on Profit Management.
4. The Audit Committee t_{count} is -0.745772 namely $-0.745772 < 2.00324$ so that $t_{count} > t_{table}$ with a probability of 0.4580 < 0.05 , meaning that the Audit Committee has no effect on Profit Management.
5. KAP size of t_{count} is 0.611824 that is $0.611824 < 2.00324$ so $t_{count} > t_{table}$ with a probability of 0.5424 > 0.05 , meaning that KAP size has no effect on Profit Management.

2. Test the Regression Coefficient Together (Test F)

Results of Regression Coefficients Together (F Test)

F-statistic	2.030658
Prob(F-statistic)	0.083411

(Source: Eviews 10 Panel Data Regression Output Results)

Obtained F_{count} of 2.030658 and F-statistic p-value of 0.083411. Based on F_{table} , the value is 2.77 with $df_1 = (k-1) = (4-1) = 3$ and $df_2 = (n-k) = (60-4) = 56$ with degrees of freedom $\alpha = 0.05$ ($\alpha = 5\%$). This means that $F_{count} > F_{table}$ or equal to $2.030658 < 2.77$ and F-statistic p-value ≤ 0.05 or equal to $0.083411 > 0.05$, then H_1 is rejected and H_0 is accepted, which means independent variables namely Managerial Ownership, Institutional Ownership, Independent Commissioner, Independent Commissioner, Committee Audit and KAP size together do not affect the dependent variable, namely Earnings Management.

3. Coefficient of Determination (R2)

Results Coefficient of Determination (R2)

Adjusted R-squared	0.058458
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(Source: Eviews 10 Panel Data Regression Output Results)

The result of the Adjusted R-squared determination coefficient of 0.058458 or 5.85% which means that all independent variables are able to explain the variation of the dependent variable by 5.85% while the remaining 94.15% (100% - 5.85%) is explained by other factors not included in this research model.

Research result

1. Effect of Managerial Ownership on Earnings Management

The results of the partial regression test using the Random Effect Model (REM) show that Managerial Ownership influences Earnings Management. This is evidenced by the results of t test

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obtained by tcount of 2.080181 namely $2.080181 > 2.00324$ so that tcount > ttable with a probability of 0.0408 < 0.05, meaning that Managerial Ownership influences Profit Management.

2. Effect of Institutional Ownership on Earnings Management

The partial regression test results using the Random Effect Model (REM) show that Institutional Ownership has a tcount of 2.550047 ie $2.550047 > 2.00324$ so that tcount > ttable with a probability of 0.0127 < 0.05, meaning that Institutional Ownership has an effect on Earnings Management.

3. Influence of Independent Commissioners on Earnings Management

The results of the partial regression test using the Random Effect Model (REM) indicate that the Independent Commissioner has no effect on earnings management. This is evidenced by the results of the Independent Commissioner tcount test of -0.310718 namely $-0.310718 < 2.00324$ so that tcount > ttable with a probability of 0.7568 > 0.05, meaning that the Independent Commissioner has no effect on Profit Management.

4. Effect of the Audit Committee on Profit Management

Simultaneous regression test results using the Random Effect Model (REM) show that the Audit Committee has no effect on earnings management. This is evidenced by the result of tcount of -0.745772 namely $-0.745772 < 2.00324$ so that tcount > ttable with a probability of 0.4580 < 0.05, meaning that the Audit Committee has no effect on Profit Management.

5. Effect of KAP Size on Earnings Management

Simultaneous regression test results using the Random Effect Model (REM) show that KAP size has no effect on earnings management. This is evidenced by the results of tcount of 0.611824 ie $0.611824 < 2.00324$ so that tcount > ttable with a probability of 0.5424 > 0.05, meaning that the KAP size has no effect on earnings management.

6. Effect of GCG Mechanisms and KAP Size on Earnings Management.

Based on table 4.15, the results of the Random Effect model panel regression data obtained Fcount of 2.030658 and p-value of F-statistics of 0.083411. Based on Ftable, the value is 2.77 with $df_1 = (k-1) = (4-1) = 3$ and $df_2 = (n-k) = (60-4) = 56$ with degrees of freedom $\alpha = 0.05$ ($\alpha = 5\%$). This means that Fcount > F table or equal to $2.030658 < 2.77$ and F-statistic p-value ≤ 0.05 or equal to $0.083411 > 0.05$, meaning that the GCG Mechanism and KAP Size together do not affect Profit Management.

Conclusion

Based on the results and discussion of the study, it can be concluded as follows:

1. Managerial ownership affects earnings management.
2. Institutional ownership influences earnings management.
3. Independent commissioners have no effect on earnings management.
4. The audit committee has no effect on earnings management.
5. KAP size has no effect on earnings management.
6. The mechanism of Good Corporate Governance and overall KAP size have no effect on earnings management.

Suggestion

Based on the conclusions presented above, the authors provide suggestions for further research should increase the number of research samples with other company sectors from manufacturing companies on the Indonesia Stock Exchange, so as to expand and clarify the effect of independent variables on firm value.

THE EFFECT OF GOOD CORPORATE GOVERNANCE MECHANISM AND PUBLIC ACCOUNTING FIRM SIZE ON PROFIT MANAGEMENT

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