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Corporate Governance Characteristics of Profit Management and Corporate Characteristics as Moderators (Empirical Study of Manufacturing Companies Listed on Indonesia Stock Exchange)

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Abstract:
Profit Management is the action of a manager by presenting reports to increase or decrease the current period's profits from the business unit for which is his responsibility, without causing increase or decrease in the economic profitability of the unit in the long run. The purpose of this study is to examine the effect of corporate governance proxy by the Independent Board of Commissioners, Institutional and Audit Committee Ownership of Profit Management and Company Characteristics as a moderating company for basic and chemical industry companies listed on the Indonesia Stock Exchange in 2015-2018. The sample used in this study is consisted of 80 samples of basic and chemical industry companies listed on the Indonesia Stock Exchange (IDX) during the 2015-2018 periods. The sample was selected using the purposive sampling method. Earnings management is proxied by Discretionary Accrual using the Modified Jones Model. The data collection method uses secondary data. Data analysis is used in this study with descriptive statistical analysis, classic assumption test and multiple linear regression analysis.The results showed that the independent board of commissioners influenced earnings management, institutional ownership has no effect on earnings management, and the audit committee influences earnings management. The results of this study also prove the company's characteristics moderate the influence of the independent board of commissioners on earnings management, company characteristics moderate the effect of institutional ownership on earnings management, and company characteristics also cannot moderate the influence of the audit committee on earnings management.

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PRELIMINARY

In accordance with SAK the selection of accrual basis in preparing financial statements is considered more rational and fair and can reflect the company's financial condition in real terms. On the other hand the use of this accrual basis can allow management to engineer financial statements to generate earnings as desired by management. The choice of accounting method by management which aims to engineer earnings (earnings) of the company is known as earnings management. Earnings information is a major concern for users of financial information to assess how management performs in carrying out company activities. Besides profit information can help the owner (principle) or other parties to find out the company's earnings power in the future.

The opportunistic nature of the management (agent) whose performance is measured based on this information, will encourage deviant behavior *(dysfunctional behavior)* which is one form is

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earning management. (SFAC No.1, Herawaty, 2010).

Earnings management is a management action in the process of preparing financial statements to increase or decrease accounting profits according to the interests of management. In the process of presenting financial statements, nformation asymmetry often occurs between management and shareholders. Management can utilize the flexibility and information possessed for certain objectives that are opportunistic, for example to obtain bonuses and other compensation, influence capital market decisions, avoid violations of debt agreements, and political costs (Perwitasari, 2014).

Several cases of earnings management that still occur illustrate that managers still have the opportunity to manipulate financial statements. It will raise the question whether the implementation of corporate governance has been effective to minimize the behavior of managers doing earnings management. Opportunistic behavior of management will increase due to the weak implementation of corporate governance; finally reported earnings do not match the actual conditions, so it will reduce investor confidence in the financial statements presented by management (Gonzalez & Garcia-Meca, 2014).

From the results of previous studies that are tested the factors which influence earnings management still show different results (*research gap*). Based on these, the researcher is interested in doing research again with the aim of proving whether corporate governance can minimize the opportunistic behavior of management in reporting earnings. In addition this study will also prove whether company characteristics can moderate the effect of corporate governance on earnings management.

The results of this study are expected to provide important information for company owners (principals) and stakeholders regarding the importance of implementing corporate governance within the company.

REVIEW OF THEORY AND DEVELOPMENT OF HYPOTHESES

Agency Theory

According to Jensen &Meckling (1976) Agency theory is about the ownership structure of companies managed by managers not owners. Agency relationship as a contract between one person or more, the owner (principal) who hires another person (agent) to perform some services on behalf of the owner which includes the delegation of decision-making authority to the agent. Agency theory states the contractual relationship between agent (management) and principal (business owner).

The agent's job is to run company activities for the benefit of the company owner, the opposite of the work done, and then the owner of the company will provide compensation for company management (Hendriksen and Breda, 1992). Agency relations are good if the agent can exercise authority which is given by the principal to run the company's operations and can be accountable for its performance to the principal (Firdausya, et al 2013). The difference between the interests of agents and principals, led to the emergence of the desire of the management (agent) to practice earnings management (Peranasari and Dharmadiaksa, 2014). Agency theory is based on 3 basic assumptions, namely human nature assumptions, organizational assumptions, and information assumptions.

Corporate *Governance*

Corporate governance is one form of a governance system that can organize and control the actions taken by managers, hoping to improve performance which in turn is expected to increase the value of the company for the benefit of stockholders(Herawati,2008).From some of the definitions above it can be concluded that corporate governance is a mechanism used to regulate and control the company through the relationship between company owners (principle),company manager (*agent*),the lender,government, employees and stakeholders both internal and external, so as to increase the value of the company.

The implementation of good and right corporate governance is expected to be able to maintain a balance between the objectives to be achieved by the company and the interests of the community and keep away from the company's poor management which will ultimately cause problems for the company (Dwitridinda in Hendra, 2012).

Independent Board of Commissioners

Independent commissioners are members of the board of commissioners from outside the company and it is not affiliated with management, other boards of directors or shareholders that can influence their independence (Juniarti and Agnes, 2009). The purpose of forming an independent commissioner is to balance decision-making in order to protect the interests of minority shareholders and other parties. The Financial Services Authority (OJK) demands that the number of independent commissioners who meet the qualifications is at least 30% of the total number of commissioners (Werner, 2009). The existence of an independent board of commissioners with a high percentage in the company is indicated to oversee the opportunistic behavior of management, improve the quality of disclosures (disclosures) in financial statements and reduce actions to make earnings management.

Regarding earnings management, independent commissioners are not directly related to the companies they handle, because they are tasked with supervising company directors without pressure from any party, so that the work done is pure without any interference with any party. The composition of the board of commissioners is one of the characteristics of the board related to the information content of earnings. Through its role in carrying out its supervisory function, the composition of the board can influence management in preparing financial statements so that a quality earnings report can be obtained (Boediono, 2005). With the increasing number of independent boards of commissioners, supervision of financial statements will be more stringent and objective, so fraud committed by managers to manipulate earnings can be minimized and earnings management can be avoided.

Institutional Ownership

The existence of corporate responsibility to shareholders, institutional owners have an incentive to ensure that company management in making decisions is expected to maximize shareholder welfare. The existence of institutional ownership in a company will encourage increased oversight that is more optimal for the performance of management (Hidayat, 2016).

Audit Committee

An audit committee is a committee that assists the board of commissioners in ensuring consistency in the application of corporate governance principles, especially transparency and by executives (Tjager et al, 2003: 176 in Fendi and Rovila, 2011). The existence of an audit committee is expected to rebuild public confidence in financial reporting and improve audit quality. Audit committee members must be at least 3 people, lead by one of the independent commissioners and other members are independent outsiders and one of them has the ability in the field of accounting (Suaryana, 2005).

Company Characteristics

The characteristics of companies and industries are the characteristics or characteristics inherent in a business entity that can be seen from several aspects, including the type of business or industry, ownership structure, liquidity level, profitability level. Status of Company (Safitri, 78: 2008). Public companies listed on the Jakarta Stock Exchange can be categorized into 3 (three) major groups: manufacturing companies, non-manufacturing companies and business groups of banks and financial institutions. This business group has an influence on profitability (Ashari et.al, 1994).

Large companies have broader stakeholder bases, so various policies of large companies will have a greater impact on the public interest compared to small companiesFor investors, the company's policy will have implications for the prospect of cash flow in the future (Desmiyawati et al, 2009).

Muliati (2011) states that the size of the company is a scale in which the size of the company can be clarified in various ways, including: log total assets (Maribot and Doddy, 2007), log total sales (Nuryaman, 2008), market capitalization (Halim, et al. 2005). The determination of the size of this company is based on the total assets of the company.

Thinking Framework and Hypothesis Formulation

The composition of the board of commissioners is one of the characteristics of the board related to the information content of earnings. Through its role in carrying out its supervisory function, the composition of the board can influence management in preparing financial statements so that a quality earnings report can be obtained (Boediono, 2005).

Regarding earnings management, independent commissioners are not directly related to the companies they handle, because they are tasked with supervising company directors without pressure from any party, so that the work done is pure without any interference with any party. More and more independent boards of commissioners are expected to have more stringent and objective oversight of the financial statements made by management, so fraud committed by managers to manipulate earnings can be minimized and earnings management can be avoided.

Research by Chtourou (2001), Wedari (2004) and Nasution and Setiawan (2007) analyzed the effect of the proportion of independent commissioners on earnings management. Their study reported that the proportion of independent commissioners had a significant negative relationship with earnings management. This means that the proportion of independent commissioners is able to reduce earnings management that occurs in the company.

Institutional ownership is ownership of company shares owned by bank and non-bank financial institutions, such as insurance companies, investment companies and other institutional ownership. The role of institutional ownership is important in order to increase oversight of managerial behavior. Managers' actions to manipulate profits opportunistically can be monitored by supervision by institutional ownership. Institutional ownership is ownership of shares by government institutions.

Audit committee with an expert background in finance is an effective party to reduce earnings management. It is because the financial expert audit committee is a member of the audit committee who is truly experienced to analyze problems in the financial statements, especially detecting fraud such as earnings management. In addition, according to the KNKG, to build an effective audit committee, a financial expert audit committee member needed is 1-3 people from the total number of audit committee members as a whole. This disclosure is reinforced by research conducted by Anindyah (2013) which states that independent commissioners negatively affect earnings management.

Based on the description above, the framework of this research can be described as shown in Figure 1 below.

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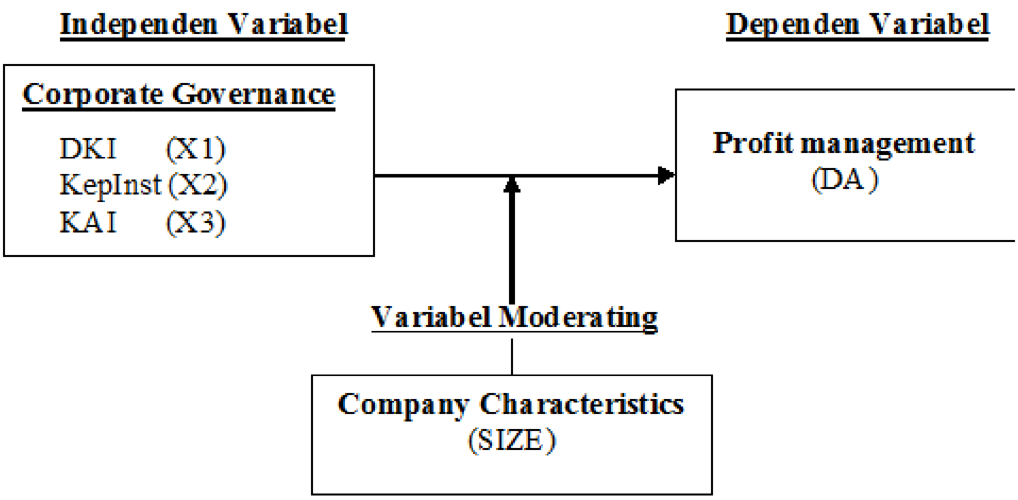

Figure 1: Thinking Framework

Based on the theoretical description and frame of mind above, the determination hypothesis can be formulated as follows:

H_1: Independent Board of Commissioners Influences Profit Management

H_2: Institutional Ownership Influences Profit Management

H_3: Audit Committee Influences Profit Management

The results of research conducted by Dananjaya and Ardiana (2016) provide evidence that companies that have institutional ownership have a significant positive effect on earnings management and the proportion of independent commissioners can moderate (weaken) the effect of institutional ownership on earnings management so that companies that have institutional ownership will improve management practices earnings but with the existence of an independent commissioner earnings management practices can be minimized.

To illustrate the characteristics of companiesproxyed by Size whether they can moderate corporate governance, an alternative hypothesis is formulated which is stated as follows:

H_4: Company characteristics as a moderating influence of the Independent Commissioners on earnings management.

H_5: Company characteristics as a moderating influence of the Independent Commissioners on earnings management.

H_6: Company characteristics as a moderating influence of the Independent Commissioners on earnings management.

RESEARCH METHODOLOGY

This research uses a quantitative approach in the form of associative. Quantitative research is research that emphasizes theory testing through measurement of research variables with numbers and data analyzed using statistical procedures (Indriantoro and Supomo, 2013). Associative research is research that aims to determine the relationship between two or more variables (Sugiyono, 2013).

This research was conducted at the Indonesia Stock Exchange (IDX) by accessing the IDX website, www.idx.co.id. The object of this research is the annual report of manufacturing companies that have been registered from 2012-2014. The dependent variable in this study is earnings management. In this study earnings management was proxy using the modified Jones model

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(Dechowet al. 1996 in Dian, 2013). This model is better able to detect the level of earnings management than other estimation models such as the Jones model, the Healy model, and the De Angelo model, and provides the most accurate results (Wells, 2002).

To measure discreatonary accruals, refer to Dechow et al. (1995).

$$TAC = N_{it} – CFO_{it}$$

The Total Accrual (TAC) value estimated by the OLS (Ordinary Least Square) regression equation is as follows:

$$TA_{it}/A_{it-1} = \beta_1 (1/A_{it-1}) + \beta 2 (\Delta Rev_t/ A_{it-1}) + \beta 3 (PPE_t/ A_{it-1}) + \varepsilon$$

Using a regression coefficient above the value of *non discretionary accruals* (NDA) can be calculated using the formula:

$$NDA_{it} = \beta_1 (1/ A_{it-1}) + \beta_2 (\Delta Rev_t/ A_{it-1} – \Delta Rec_t/ A_{it-1}) + \beta_3 (PPE_t / A_{it-1})$$

Furthermore DA can be calculated as follows:

$$DA_{it} = TA_{it}/ A_{it-1} – NDA_{it}$$

The independent variable or independent variable is a variable that influences or is the cause of the change or emergence of the dependent variable (Sugiyono, 2013). In this study the independent variables are the independent board of commissioners, managerial ownership and the Audit Committee. Institutional ownership is the percentage of voting rights held by the institution. According to Joni and Jogiyanto (2009) Institutional ownership of ≥60% is a more appropriate proxy for investor intelligence for the condition of the Indonesian capital market. This variable is measured by the percentage of shares owned by institutions such as insurance companies, banks, pension funds, and investment banking that buy large amounts of company stock (Griffin and Ebert, 2007).

Moderation variables are variables that influence (strengthen or weaken) direct relationship between independent variable and dependent variable (Sugiyono, 2013).

Quantitative data used in this study are the values of total accruals, net cash income, cash flow, income, total assets, receivables, sales, number of independent directors. Shareholders, and the number of audit committees contained in the annual reports of manufacturing companies listed on the Indonesia Stock Exchange in the period 2015 - 2018 with calculated units or qualitative data that was leveraged (Sugiyono, 2013). The data source used in this study is the annual report of food and beverage sub-sector manufacturing companies registered in the period 2015 - 2018, obtained by accessing www.idx.co.id.

The population in this study is all food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange (IDX). The sampling method used in this study is a purposive sampling technique which is a sampling technique using certain considerations or criteria (Sugiyono, 2013).

Table 1:Sample Selection Criteria

Sample Criteria	total
Metal and automotive sector industrial companies were listed on the Indonesia Stock Exchange (IDX) from 2015-2018.	**28**
Metal and automotive sector industrial companies which publish annual financial statements that experienced a profit on December 31 during the observation period.	**(2)**
Metal and automotive industry companies which publish annual reports and financial reports needed in research.	**(6)**

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Amount	**20**
The number of samples is in accordance with the study year 2015-2018 (4 years)	**80**

Source: Indonesian Capital Directory Market

The population in this study amounted to 28 companies. The sampling method used is purposive sampling. Based on predetermined criteria, and then obtained a sample of 20 companies that will be used in this study with observations for 4 years so that 80 companies were obtained. But at the time of data processing data outliers had occurred. Outlier data is data that has unique characteristics that look very different from other observations and appear in the form of extreme values for either a single variable or a combination (Ghozali, 2013).

Technical analysis Descriptive statistical analysis used in this study separately describes or describes a data that is seen from the average, standard deviation, variance, maximum, minimum, kurtosis and skewness (Ghozali, 2009). Descriptive statistical analysis is used to find out the description of the proportion of the board of independent commissioners of institutional ownership, audit committee and earnings management in manufacturing companies listed on the Indonesia Stock Exchange.

The classical assumption testing aims to determine, test and ascertain the feasibility of the regression model used in this study, where the data is used normally, free from autocorrelation, multicollinearity, and heteroscedastity.

The purpose of hypothesis testing is to test the partial effect of the independent board of commissioners on earnings management, institutional ownership of earnings management), and audit committee on earnings management with $\alpha = 5\%$. The technical analysis of this study using model 1 is as follows:

Model 1: $DA = \beta_0 + \beta_1 DKI + \beta_2 KepInt + \beta_3 KA + \varepsilon$

The alternative hypothesis testing aims to examine whether the characteristics of the company as a moderating influence the independent board of commissioners on earnings management, whether the characteristics of the company as a moderating influence the institution's ownership board on earnings management, and whether the characteristics of the company as a moderating influence the audit committee on earnings management. with $\alpha = 5\%$. The technical analysis of this study using model 2 is as follows:

Model 2: $DA = \beta_0 + \beta_1 DKI + \beta_2 KepInst + \beta_3 KA + \beta_3 Size + \beta_4 DKI*Size + \beta_5 KepInst*Size + \beta_6 KA*Size + \varepsilon$

Annotation:

DA =*Discretionary Accruals*
β_0=Constant value
$\beta_{1,2,3,4,5,6}$= Regression coefficient
DKI=Independent board of commissioners
KepInst=Institutional Ownership
KAI=Independent Audit Committee
Size = Company Size
ε=Standard error

RESEARCH RESULTS AND DISCUSSION

Variables used include independent commissioners, institutional ownership, audit committees and earnings management. From the results of the descriptive statistical testing of the four variables with a sample (n = 80), the results obtained in accordance with Table 2 below:

Table 2:Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DKI	80	0.1042	3.7435	1.4942	0.8574
KepInst	80	0.4055	1.6094	0,9909	0.2421
KAI	80	0.0301	2.7196	0.3399	0.8580
DA	80	0.4055	1.6094	1.1030	0.2523
Valid N (listwise)					

Source: Data processed from SPSS output

The variable independent board of commissioners (DKI) shows a minimum value of 0.1042 and a maximum value of 3.7435. From the range between the minimum and maximum values it can be concluded that most of the sample companies studied have a small portion of DKI. The average value of the auditor quality variable is 1.4942 with a standard deviation of 0.8574. This indicates that the sample of companies used in this study has an average composition of DKI at 14.94%.

The role of DKI is to supervise management in preparing financial statements. The greater the composition of DKI will increase the supervision conducted, so that it will reduce the management to do earnings management. On the other hand, when the composition of DKI is so small, it results in ineffective supervision, so management tends to make profit management even higher.

The variable institutional ownership (KepInst) shows a minimum value of 0.4055 and a maximum value of 1.6094, this indicates the number of institutional ownership holdings in the company under study is quite large, amounting to 99.09%. With an average of 0.9909 and standard deviation of 0.2421, this shows the majority of the number of shares of companies studied was owned by institutions.

The greater the composition of institutional share ownership will increase supervision of management in preparing financial statements, so it will minimize the management to do earnings management. Conversely, the smaller composition of institutional share ownership will affect the weakness of the supervision conducted, so the tendency of the management to carry out a higher profit management.Variabel komite audit independen (KAI) shows a minimum value of 0.0301 and a maximum data of 2.7196.

From the results of the analysis it can be concluded that the existence of the audit committee in the company under study is still small. The average value of leverage during the observation period is 0.3399 with a standard deviation of 0.8580. The average value of KAI of 0.3399 indicates that the portion of KAI in the company studied was 33.99%.

The audit committee responsibilities include; supervise financial reports, supervise external audits, and observe internal control systems (including internal audits). From the three responsibilities, supervision of financial statements and oversight of external audits are related to earnings management activities. Financial supervision statements include financial statements and accounting policies. The greater the presence of KAI in the company can reduce earnings management actions taken by management, on the contrary if the presence of KAI in the company is quite small, this allows the management to do earnings management.

Earnings management variable measured by DA shows a minimum value of 0.4055 and a maximum value of 1.6094. From the results of data analysis shows that there is a considerable distance between the minimum and maximum values, it can be concluded that most of the companies studied do not have the tendency to take earnings management actions. The average value is about 1.1030 with a standard deviation of 0.2523. From this value, it is known that it is greater than 5%, this indicates that

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the sample companies studied do not indicate earnings management actions (DiahFika, 2009).

If we see from the classic assumption test that is the test for normality, autocorrelation, heterokedastisitas, and multicollinearity that the model in this study has a normal distribution, so the data is worthy to be tested in this study.

In a partial and simultaneous testing study carried out using model 1. Based on the results of tests that have been carried out can be presented in table 3 below;

Table 3:Model 1 Testing Results

Model 1 : $DA = \beta_0 + \beta_1 DKI + \beta_2 KInt + \beta_3 KA + \varepsilon$

Model	Unstandardized Coefficients	T	Sig	α
1 (Constant)	1,422	2,190	0,025	0,05
DKI	-0,666	-1,699	0,023	0,05
KepeIns	0,077	0,682	0,297	0,05
KAI	0,599	2,234	0,021	0,05
$AjustedR^2$ = 0,035				
F = 1,1966				
Sig. F = 0,026				

Source: Data Processed output spss

From table 3 shows the Adjusted R Square value of 0.035 and getting closer to 0 which means it shows the weak influence of the independent variables (DKI, KepIns and KAI) on the dependent variable (earnings management). From table 3 above, it is known that the p value of F is 0.026 <0.05, it can be concluded that DKI, KepInst and KAI simultaneously influence earnings management.

Furthermore from table 3 it is known that the p value of DKI is 0.023 <0.05, it can be concluded that DKI significantly influences earnings management and KAI is 0.21 <0.05, it can be concluded that KAI significantly influences earnings management, the hypothesis (H1 and H3) submitted in this study were accepted. Instead the KepIns p value of 0.297> 0.05, it can be concluded that the KepIns is not influential on earnings management, the hypothesis (H3) proposed in this study was rejected.

Subsequent tests are used to prove whether company characteristics can moderate the influence of the independent board of commissioners on earnings management, Company characteristics can moderate influential institutional ownership boards on earnings management, and company characteristics can moderate influential audit committees on earnings management.

Tests carried out to prove the hypothesis are carried out using model 2. The test results are presented as in table 4 below;

Table 4:Model 2 Testing Results

Model 2 : $DA = \beta_0 + \beta_1 DKI + \beta_2 KInst + \beta_3 KA + \beta_3 Size + \beta_4 DKI*Size + \beta_5 KInst*Size + \beta_6 KA*Size + \varepsilon$

Model	**Unstandardized Coefficients**	**T**	**Sig**	**A**
1 (Constant)	3,835	2,180	0,024	0,05
DKI	-3,107	-1,422	0,049	0,05
KInst	-1,631	1,241	0,019	0,05
KA	-1,994	-0,303	0,063	0,05

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Size	-2,982	-0,932	0,034	0,05
DKI*Size	3,123	1,265	0,010	0,05
KInst*Size	-2,560	-1,226	0,024	0,05
KA*Size	2,509	0,409	0,084	0,05
AjustedR^2 = 0,038				
F = 3,441				
Sig. F = 0,003				

Source: Data processed from spss output

The results of testing the alternative hypotheses in table 4 above show that company characteristics can moderate the influence of the independent board of commissioners on earnings management, and company characteristics can moderate the influential institution ownership board on earnings management, whereas company characteristics cannot moderate the influence of the audit committee on earnings management.

Independent Board of Commissioners (DKI) for Profit Management The first hypothesis proposed in this study is that the independent board of commissioners influences earnings management. From the results of this study obtained a p value of 0.023 or smaller than 0.05, as evidenced by the independent board of commissioners influencing earnings management, the hypothesis proposed in this study was accepted.

This indicates that the independent board of commissioners which is part of the company commissioners has performed a good oversight function on management. So the possibility of manipulation in presenting financial statements by management can be controlled by the increasing number of independent commissioners.

The more transparency in the presentation of financial statements will reduce the opportunity for management to take earnings management actions.

The results of this study are not in line with the research of Nabila and Daljono (2013), Agustia (2013), Dewi and Khoiruddin (2016), Widyaningsih (2017). The results prove that the independent board of commissioners (DKI) has no effect on earnings management.

Institutional Ownership (KepInst) of Profit Management

The third hypothesis proposed in this study is that institutional ownership negatively influences earnings management. From the results of this study, the p value of 0.297 or greater than 0.05 was obtained. The results of this study indicate that institutional ownership has no effect on earnings management, so the hypotheses proposed in this study were rejected.

The results of the study indicate that institutional investors do not carry out their role in supervising management to minimize earnings management actions. Investors only focus on the expected short-term earnings, so the large portion of ownership of the institution does not monitor effectively, so it will improve earnings management actions taken by management.

The results of this study are in line with the results of research conducted by Kusumaningtyas (20120, Agustia (2013), Dewi and Khoirudin (2016), Widianingsih (2017), Aryanti, Kristanti and Hendratno (2017), where the results of research conducted prove that ownership of institutions is not influence earnings management.

Independent Audit Committee (KAI) on Profit Management

The third hypothesis proposed in this study is that the independent audit committee influences earnings management. From the results of this study obtained a p value of 0.021 or smaller than 0.05, it was proven that the independent audit committee influenced earnings management, then the hypothesis proposed in this study was accepted.

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This indicates that the existence of an independent audit committee tends to reduce earnings management by the company. From these results it is known that the existence of independent audit committee members is able to optimize the oversight function which is the full responsibility of the board of commissioners. The independent audit committee functions to supervise and control to create fairness, transparency, accountability and responsibility.

The independent audit committee is the party whose duty is to assist the commissioners in order to improve the quality of financial statements and increase the effectiveness of internal and external audits. The existence of an independent audit committee is useful to ensure transparency, openness of financial statements, and fairness for all stakeholders, and disclosure of all information has been done by management despite conflicts of interest.

These results are consistent with the results of McMullen's and Raghunandan (1998), Dechow et al. (1995), Chtourou, Bedard and Chtourou (2001), which states that the existence of an independent audit committee tends to reduce earnings management by the company managemen.

The results of this study are not in line with Agustia's (2013) research, which proves the proportion of independent audit committees has no effect on earnings management.

CONCLUSION

This study aims to examine the influence of the independent board of commissioners (DKI), institutional ownership (KepInst) and independent audit committee (KAI) on earnings management in the metal and automotive sector industries which are listed on the Indonesia Stock Exchange. Based on the research objectives it can be concluded as follows:

The results of testing model 1 prove that the independent board of commissioners (DKI) has an effect on earnings management with a p-value of 0.023 <0.05 and the independent audit committee (KAI) has an effect on management with a p-value of 0.021 <0.05. The results of this study cannot prove that institutional ownership influences earnings management with a p-value of 0.297> 0.05.

Model 2 test results show the characteristics of the company can moderate the influence of the independent board of commissioners on earnings management with a p-value of 0.010 <0.05, and the characteristics of the company can moderate the influence of the institution's ownership board on the earnings management p-value of 0.024 <0.05. Instead this study proves the characteristics of the company can not moderate the effect of the audit committee on earnings management p-value of 0.084> 0.05.

LIMITATIONS

Limitations in this study are: 1) The companies taken are only the industrial and metal sector industrial group companies listed on the IDX. 2) The observation period in this study is very short, namely only in 2015-2018. 3) Measurement of the independent variables used in this study DKI, KepIst and KAI use a portion (%), while the measurement of earnings management uses a modified Jones model (Dechow et al. 1996).

RECOMMENDATION

For further researchers, the research period used should be added and the samples used can be added or expanded in other company sectors. The next researcher is expected to be able to add other variables such as managerial ownership, number of board of commissioners, audit quality. For earnings management variables can use measurements developed by Dechow et al. (2011).

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