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Discretionary Accrual Public Companies in Indonesia

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Abstract. The purpose of this study is to analyze dividends on company earnings management, with return on asset as a moderating using partial least square. Data analysis techniques using Partial Least Squares (PLS), with PLS will help in predicting data on the theory with small amounts of data and parametric assumptions are not met. The results of this study giving a proof that Dividend Policy didn't influence to Earnings management, and Return On Assets is not proved to strengthen Dividend Policy relation to Earnings Management.

Keywords*: Return on Assets, Dividend Policy, Earnings Management*

1. INTRODUCTION

A public company is a company that releases its ownership to the public. This method is carried out to meet the company's capital needs for corporate competition that can be done on the Indonesia Stock Exchange. Investors will be interested in a company of their choice if they have seen their financial statements.

Information about the company will be obtained regarding the company's performance as well as other information needed. The financial statements are also part of the form of corporate responsibility to the investor (as well as those who need it) in the use of funds that have been invested in the hope that the benefits obtained will come.

Financial Accounting Standards (SAK) make it easy for companies to choose accounting methods to be used in recording and disclosing financial information [21]. Information that describes the financial and economic conditions that affect the presentation in the company's financial statements for investors, the company has the prerogative right to disclose data in the financial statements. The skills and knowledge of managers in business serve as the key that financial reports are presented reliably and will help report users in making decisions [14]. In this case, it shows that the company is doing earnings management based on certain objectives.

Based on previous research reveals that one of the reasons companies take earnings management actions is dividend policy [9]; [20];[18], by reducing the amount of dividends to be distributed by companies is a management effort to manage earnings in the form of reduced earnings (income minimization) before the General Meeting of Shareholders.

Some examples of cases of earnings management that occurred in Indonesia include PT Indofarma in 2001 overstated the value of goods inventory in the process in 2001 amounting to Rp 28.78 billion, which resulted in the cost of goods sold being understated and net income experiencing overstated. In addition, the Lippo Bank case in 2002 published three versions of financial statements for management, mass media and the Indonesia Stock Exchange. And Kimia Farma marked up the financial statements by inflating the profit of Rp 32.68 billion. Not only that, matters relating to the confusion of information resulted in the release of investors from the company, among others, the value of shares of PT Cipaganti Citra Graha Tbk (CPGT) which dropped drastically due to cases of fraud for the results of the Cipaganti Karya Guna Persada Cooperative (KCKGP) since the news appeared on the 17th June 2014 the value of shares decreased at the level of Rp 88 per share, so the management carried out handling and reporting to the authorities. But the value of shares has fallen to Rp. 54 per share dated June 26, 2014. Not only that the corruption case that befell the President Director of PT Garuda Indonesia (Persero) Tbk Emirsyah Satar who was a suspect in the case of bribery buying aircraft engines from the UK. Even though the management has responded that there is no connection (purchase) with the cooperative, investors still have doubts about the bribery case and feel the money used (bribing) comes from investors. After determining the suspect GIAA shares immediately fell from Rp 346 to Rp 320 per share.

It is important to know several types of earnings management, including income minimization, income maximization, income smoothing [25]. The inconsistencies of previous research on earnings management, according to [9] have a significant negative effect, this means that the higher the profit generated, the higher the dividend payout ratio, the more management will manage earnings in the form of income decreasing. Dividend Policy has significant influence on earnings management in the form of income smoothing. However, there are also studies which mention that there is no effect of dividend policy (DPR) on earnings management, including [13]; [2];[3]; and [6].

One indicator of companies that have good performance in financial statements is income. On the value of income, sometimes management opportunistic behavior arises. Agency theory explains that if a company is in poor performance, managers can act opportunistically by increasing accounting profits to hide poor performance, if not, if the company is in good performance, managers act opportunistically by reducing accounting income to delay the performance of both [26]. The measurement of profitability in this study uses Retun On Asset (ROA), the profit generated comes from how many assets the company has. [19] research results (2013); [15]; [16]; [11] states the Dividend Policy does not affect Return On Assets. However, [12].

Furthermore, there is research that states Return On Assets affect earnings management, namely [4] with [1]. This prompted researchers to review ROA moderation in the relationship between Dividend Policy (DPR) and Earning Management (DA) in all sectors of companies listed on the Indonesia Stock Exchange in the 2016 period.

2. LITERATURE REVIEW

Previous research conducted by [9] titled The Effect of Dividend Policy on Earnings Management with Good Corporate Governance as moderation. The results showed that dividend policy affected earnings management and GCG was not proven to be able to moderate the relationship of dividend policy to earnings management.

According to [10] earnings management is an action to manage profits according to the wishes of certain parties with specific goals and purposes. Earnings management arises when management uses certain decisions in financial reporting and changes transactions to mislead stakeholders who want to know the company's performance. explains that earnings management is a deception of company information.

As for the factors that cause companies to conduct earnings management, the first is flexibility of financial accounting standards (SAK), secondly management provides convenience in using estimates (Judgment) in preparing estimates, and thirdly there are opportunities to engineer transactions in the measurement of costs and revenues. Motivation in earnings management actions among other bonuses given by management if it can generate high profits, then debt (capital), with high debt the company makes high profits so that liabilities to be paid can be postponed in the next period. Then political costs, companies can choose accounting methods to exaggerate the value of profits in obeying government regulations, for example in paying obligations not too high.

Are profits distributed to shareholders. The development of a company is determined by the level of profit achieved and this must be shared with investors or reinvested (retained earnings). In this concept, showing the funds invested by investors, the profits derived by the company must be shared both for investors with the company. Some

factors of management considerations in determining management policies, funds needed by the company for capital, company liquidity to pay dividends, the company's ability to borrow, the value of dividend information, company control if dividends given are high, the company can sell new shares with a favorable value, restrictions set forth in the agreement with the creditor, and inflation.

Return On Assets is the ratio of the results of the total assets used in the company. [8] state that ROA is the ratio of net income to total assets measuring returns on total assets. Return On Assets see the extent to which invested is able to provide a return on assets. Of the three concepts above ROA is the profit generated by the company using the amount of assets owned. The usefulness of ROA analysis according to [17] is as a benchmark company, to compare the level of efficiency with similar companies, efficiency at the division level, measure the profit of each product, and is useful for control and corporate planning.

Internal conflict within a company between managers and investors is a problem that cannot be avoided. Investors tend to favor their power over investment funds invested to obtain profit sharing, but on the part of management who has the right to access all company information so that the opportunity to deceive company information can be done for its development. This is in line with Agency Theory (Agency Theory), this action is carried out on the basis of certain objectives. Income reporting that is not appropriate to the situation [10]. One of the actions taken is the higher the profit, the management will reduce income (income decreasing) [5]; [22]; [23]

H1: There is an influence of Dividend Policy on Earnings Management in all companies listed on the Indonesia Stock Exchange.

Dividend policy is set to manage corporate profits. Relating to agency theory where investors and management have problems but remain in one goal, profit. This is what makes investors look, before investing information about the company's assets. If the company has a lot of assets, the profit generated will be high. Furthermore the profits shared will be high. This is in line with research by in the form of the relationship of Dividend Policy to Return on Assets (ROA) have a significant effect.

H2: Return on assets (ROA) strengthens the Dividend Policy relationship with Profit Management in all companies listed on the Indonesia Stock Exchange.

3. METHODS

This study uses a quantitative approach to prove the research hypothesis. Using a sample of the population of all companies listed on the Indonesia Stock Exchange in the 2016 period,46 companies were mapped. The secondary data was obtained by documenting timely financial statements, owning profits, distributing dividends, using the rupiah exchange rate, as well as auditing the fiscal year 2016 which can be downloaded via the IDX's official website, www.idx.co.id.

In this study the endogenous variable is earnings management projected using a discretionary accrual (jones modification model) by looking at total accruals minus non- discretionary accruals derived from operating and investment cash flows, then the exogenous variable is a dividend policy projected by a dividend payout ratio (DPR) as the company's decision to pay dividends rather than being held in cash to investors (shareholders), and the moderating variable is Return On Assets (ROA) which shows the ability of the company's assets to generate profits. Data analysis techniques using Partial Least Squares (PLS), with PLS will help in predicting data on the theory with small amounts of data and parametric assumptions are not met [12]. This PLS is a combination of factor analysis with regression (correlation), the purpose of testing the relationship between variables that exist in a model [24]. As a hypothesis decision in this study, is accepted if the p value is less than 0.05 and the moderation decision can strengthen the relationship of dividend policy to earnings management if the value of the coefficient of determination of equation one is smaller than the coefficient of determination of the second equation (Trimming) and supported by a significant value of p [14].

4. RESULTS AND DISCUSSION

Stock Exchange is a place where the sale and purchase transactions of securities of companies that have gone public. The Indonesia Stock Exchange is the result of a merger between the Jakarta and Surabaya Stock Exchanges in 2009. In the history of the IDX, it has been present since the Dutch colonial era in 1912 for its interests and was vacant due to World War I and II and the success of the government in seizing power properly. Then IDX is increasingly developing with modern technology (remote trading) to be utilized as well as possible since it is controlled by the government.

Vision and Mission of the Indonesia Stock Exchange, Being a competitive exchange with world-class credibility. As well as missions, building stock exchanges that are easily accessible and facilitating long-term fund mobilization. for all industrial lines and all company businesses. Not only in Jakarta but throughout Indonesia. Not only for institutions, but also for individuals who meet the qualifications to get equity through ownership. As well as enhancing the reputation of the Indonesia Stock Exchange, through providing quality and consistent services to all stakeholders company.

This study uses secondary data using research objects of all companies listed on the Indonesia Stock Exchange in the period of 2016. The total of all listed companies is 539 companies. The Indonesia Stock Exchange itself classifies three companies, the first being a natural / main resource management company, the second is a manufacturing company, and the third is a service company. From this classification, there are sectors in each group, from the main group there are three sectors, in the manufacturing company group there are three sectors, and service companies there are 4 sectors.

This study uses the same number of samples as the population or is called the saturated sample (census / population sample). As well as a source of information about the company's financial statement data obtained from the official website of the Indonesia Stock Exchange (www.idx.co.id). Therefore, the number of these companies is not entirely analyzed but rather represents those listed in the 2016 period, in a state of profit, distributing dividends, audited for fiscal year 2016, using the exchange rate of the rupiah, and on time, as many as 46 companies, the first six main group companies / natural resources consist of two sectors of agriculture and mining; the two classes of manufacturing companies are 11 companies with two basic chemical industry sectors and the consumer goods industry; There are 29 service companies in the three groups with six sectors of construction, wholesale trade, finance, infrastructure, property and telecommunications. The amount of data will be analyzed using multivariate analysis (Partial Least Squares).

Hypothesis Testing

H1 : Based on the test results at the stage of direct effect the first path the effect of Dividend Policy on Earnings Management with a coefficient value of -0.14 with a P-value of 0.17 (> 0.05), then the first hypothesis is the effect of Dividend Policy on Earnings Management in all companies listed on the Indonesia Stock Exchange in the 2016 period rejected.

H2 **:** The results of hypothesis testing moderating influence on both the first track or direct effect coefficient indicates the value Dividend Policy against -0.14 Earnings Management with P-value of 0.17, and the value of R^2 of 0.02. Furthermore, the second path or indirect effect has a coefficient value that drops to -0.13 with the same significance, as well as the interaction of Dividend Policy (DPR) with ROA on the relationship of Dividend Policy (DPR) to Profit Management having a coefficient of -0.09 with P -value0. 26 with an R^2value of 0.03. This shows that the second hypothesis Return on Assets (ROA) strengthens the relationship of Dividend Policy to Profit Management in all companies listed on the Indonesia Stock Exchange in the 2016 period was rejected. Although the provisions to answer the second hypothesis the value of R^2 the first pathis smaller than the value of the R^2 second pathwhich means it has little effect.

Hypothesis testing results show that Dividend Policy does not have a significant negative effect on Earnings Management. Although it has a negative influence that every company that manipulates or takes action in Profit Management when distributing Dividends or in determining Dividend Policy has no meaning. In addition, research findings, namely accruals are part of components that are easily changed by management, especially those that handle transactions and prepare financial statements.

In the calculation of total accruals is the result of the difference between small profits and the company's operating cash, which is of greater value. This can be said at the high level of the House of Representatives, companies tend to take actions income decreasing. However, the determinants of the division of profits at the AGM, which means the management can not predict. It can be said, even though earnings management actions have been carried out with the remaining amount, if investors still want to be shared then the management must of course grant the investor's request. Based on this explanation, it can be concluded that companies tend to distribute small dividends.

In this case, this research proves that the DPR is not one of the most important factors for companies to conduct earnings management and rejects the research of [9], [24], [8]. Besides these findings prove not in line with agency theory.

The stock game is closely related to the ability to predict, investors who play stocks certainly predict the future value that they will get. Therefore, the company predicts that investors are more interested in capital gains that are easily obtained at any time than dividends obtained once a year or in accordance with investor demand. This is supported, the Indonesia Stock Exchange is one of the 25 Exchanges Emerging Market. Because, each company in developing countries has a different way of attracting investors, especially the various sub-sectors that are sampled in this study. Some negative issues that have nothing to do with the company can cause investors to sell shares. This is different if the company experiences product defects, improper employee wages / salaries, corruption cases, or other unethical cases which cause a market reaction (investors) to compete to sell their shares. The most important and easiest thing, often conducted discussions Indonesia is famous for its natural wealth, the main sector on the Indonesia Stock Exchange is called a company that manages Indonesia's natural resources, coal and oil mining companies for example when world coal prices (HBA) fall, and world oil prices go down, investors will tend to sell their shares when the price can be said to be stable or begin to rise will be bought again. Something that is most unique again sometimes people do things that are not reasonable and only used as fun. Also in the case of acts of political self-interest..

Effect is not significant negative namely the interaction of ROA with Dividend Policy (DPR) in strengthening the relationship of Dividend Policy to Earnings Management. Provided that if R^2 lane first (direct) is smaller than R^2 the second track (indirect), then the moderating effects are not supported. This means that the high profits generated by the company, the activities of Profit Management take place and the delivery of company performance is the result of manipulation of companies with low profits. And actually if the dividend can be distributed with a high value it will be low. If this happens, investors will certainly be more confident to switch to promising investments. Then the company's image will be bad in the eyes of investors and the public. So this action is certainly not possible for the company to make the company's name become bad and cannot be trusted, because companies that do go publik want to get more capital.

In addition it will also have an impact on the low bonus giving from investors to managers. If the opposite event occurs with low profits, management will conduct earnings management activities (increase profits), if this is known the good name of the company will be tainted. This research shows that ROA is not a factor to strengthen earnings management actions. Because every company doesn't want to make a bad company name. Companies with good performance will reflect the company's image in the eyes of the public.

The conclusion of this hypothesis ROA is information about company performance or can be said how firm assets are able to generate profits. Unlike the company's cash flow which does provide information about the company's cash inflows and outflows whose liquidity levels are very dynamic for the short term, the ability to pay debts, as well as the company's operational needs. So it is not wrong if every potential investor will see the company's cash flow rather than profit. Because profit conditions cannot determine the amount of dividends to be distributed, but according to the agreement at the General Meeting of Shareholders.

5. CONCLUSIONS

Based on the results of the study, from the moderation of Return on Assets in the relationship between Dividend Policy and Earnings Management using the Partial Least Squares (PLS) analysis tool, the researcher can conclude. Dividend policy does not significantly affect earnings management. Return on Assets (ROA) cannot significantly strengthen the relationship between Dividend Policy and Earnings Management. This study shows that financial statements are very important information so it is necessary to examine in depth in order to obtain true and honest information. Therefore, as a further development, in this study cannot meet the statistical and the contribution of exogenous and endogenous variables moderation in explaining can only represented 2.7% is influenced by other variables, it can replace other moderating variables cashflow. In addition, it can be done by changing the construct of the same variable as researchers, where ROA is an exogenous variable, DA as a moderating variable, so that the DPR becomes an endogenous variable. Related to agency theory is still a problem because there are differences in perspectives between management and investors and companies are free to choose the applicable accounting method. Then in this study did not show significant results, therefore it can be done by changing the construct into the form of mediation, namely ROA as an exogenous variable, DA as a mediating variable, and the DPR being an endogenous variable.

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