Advances in Economics, Business and Management Research,volume 216
Tenth International Conference on Entrepreneurship and Business Management 2021 (ICEBM 2021)

The Effect of Industrial-Specialized Auditors, Financial Performance, and Corporate Diversification on Earnings Management

Novita Sari Dewi[1] Widyawati Lekok[1*]

[1]*Trisakti School of Management, Jakarta, Indonesia*
[*]*Corresponding author. Email: wlk@tsm.ac.id*

ABSTRACT
The aim of this research was to test the factors that may affect earnings management such as auditor size, industrial-specialized auditors, financial performance, corporate diversification, audit tenure, board of director size, and managerial ownership. The object used in this research was the observed data of non-financial companies listed in the Indonesia Stock Exchange (IDX) during 2017 – 2019. There were 297 samples that had been used as the data of this research, which fulfilled the research criteria. In this research, earnings management was measured using the modified model of Jones. Data samples were selected by purposive-sampling method and multiple-regression analysis was used to analyze the data. The results of this research show that auditor size, industrial-specialized auditors, and corporate diversification have effects on earnings management. Meanwhile the variables of financial performance, audit tenure, board of director size, and managerial ownership do not have any effect on earnings management.

Keywords: *Earnings management, auditor size, industrial-specialized auditors, corporate diversification*

1. INTRODUCTION

As time goes by, there are more and more companies that have been founded and grown in Indonesia. When running their business or in order to smoothen their operational activities, the companies need a big sum of start-up capital, which can be obtained from various sources such as taking loans or by issuing stocks. Every company that would like to issue any stock must have been listed in the Indonesia Stock Exchange (IDX) and their corporate financial reports must be evaluated by an External Auditor in order to assess whether the company is going concern or not. It can help third parties to make a decision, whether they will invest their money on the company or not. Therefore, a financial report made by a company must comply with the standard that has been determined, i.e., the Indonesian Financial Accounting Standards (IFAS).

Financial report is an essential point in the process of decision making by third parties in investment. Every company indeed would like their corporate financial report includes a good result so that the third parties are willing to provide investment. Companies that have undesirable financial report, will have harder time to get investment from the third parties, in which, it will encourage them to perform an act that can facilitate their needs, e.g., by performing earnings management.

To investors, an important indicator that shows corporate performance is earnings. When a company has an excellent performance, investors will do their capital investment. With such dependency by the investors on information about earnings in the corporate financial report, managers are tempted to perform earnings management for their own personal gain [1].

For example, referring to PT. Waskita Karya, Tbk. which was classified as a sick company, the phenomenon of earnings management occurred in this company. PT. Waskita Karya, Tbk. was then allegedly planning to build a toll road over the sea in Kalimantan. Under the leadership of Director M. Choliq, a good restructuring was carried-out. This improved the condition of the company, when it was still under the supervision of PT. Perusahaan Pengelola Asset (PPA). At the end of 2009, there was a case of manipulation of financial statements of PT. Waskita Karya, Tbk. This company, which should have been at a loss, was reported to have made a profit. This was then followed by the disabling of the company's Directors by the Ministry of State-Owned Enterprise (SOE) as the shareholder. However, at that time the Ministry of SOE admitted that the person was only manipulating financial statements administratively and not for personal gain. The financial fraud was known since August 2009 and this caused a capital deficit of Rp. 457 billion. This then made the government decided to restructure PT. Waskita Karya, Tbk, while disbursing of Rp. 400 billion from PT. Perusahaan Pengelola Asset (PPA) [2].

This research is a replication of another research conducted by Ahmad et al. (2016).[3] with further development on the following aspects: (1) Adding 5 (five) independent variables, which are Financial Performance [4], Corporate Diversification [5], Audit Tenure [6], Boards Size of Director [7] and Managerial Ownership [8]; (2) Performing renewal the research year into 2017-2019; and (3) Changing the object of research into non-financial companies.
The objective of this research was to obtain empirical evidence on the effects of auditor size, industrial-specialized auditors, financial performance, corporate diversification, audit tenure, board of director size, and managerial ownership on earnings management. The benefits of this research are: (1) Assisting the investors in the process of decision making, whether they will invest their capital to the company; Therefore, no party feels any loss and also there is not only one side of the parties that enjoys the benefits; (2) Providing an illustration or reference for the upcoming researcher; and (3) Giving reference to a company to provide a more transparent financial report and it should comply with the applicable financial accounting standard.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

2.1. The Agency Theory

Information asymmetry is a condition in which there is unbalanced obtained information between the management party and shareholder. Therefore, in such condition, a third party is required functioning as a mediator between the manager and shareholder, who has a role to control or as a mediator who supervise the performance of agent or management so that it is consistent with principal's expectation and desire. Earnings management may occur in a financial report, which is constructed using accrual basis; a manager will perform earnings management by manipulating the accruals in order to achieve the desired level of earnings [9].
Manager has full control to manage and operate the company complying with his / her own personal interest. The work of manager is not only to represent welfare and interest of the shareholders, but also to maximize the welfare for him / herself [2]. The owner or principal cannot ensure how the manager has contributed to the actual corporate results as the owner does not have sufficient information about the manager's performance [10].

2.2. Earnings Management

Earnings management generally is an effort made by corporate manager to intervene or affect the information in financial report with an objective of deceiving stakeholders who want to know the actual performance and condition of the company [11]. Earnings management can be encouraged by the tendency of the manager to prioritize his / her own personal interest [12]. When developing a financial report, personal consideration from the manager can be used. Therefore, earnings management can be carried-out by a manager in financial report [13]. Earnings management can be a relatively serious problem as managerial manipulation can impair economical, ethical, and moral arrangements [14]. According to the political-cost hypothesis, earnings management occurs due to government regulation such as the regulation on tax determination [9].
Earnings management is an action, which is deliberately carried-out by corporate management in the process of determining earnings for his / her own personal interest [15]. Moreover, another research has suggested that in order to maximize personal gain or corporate value, corporate management use the consideration to select accounting policy for corporate financial report within the scope of principles of accounting and it is generally applied, which is known as earnings management [16]. Earnings reliability, which exists in a financial statement, will be reduced due to the presence of earnings managements. In addition, information of the reported earnings becomes biased [17].

2.3. Auditor Size

In determining the fairness of a company's financial statement, it would be better if an external auditor evaluates the financial report with improvement [18]. Public Accounting Firm, The Big Four, tends to have auditors with more experience who have capacity in limiting the size of earnings management of a company [19]. A corporate financial report, which is audited by the Big Four (Klynveld Peat Marwick Goerdeler, Ernst & Young, Deloitte, PricewaterhouseCoopers) can let the management reduce their actions on earnings management [4].
H_1: Auditor size affects earnings management.

2.4. Industrial-Specialized Auditors

Industrial-specialized auditors have made great investment in technology, physical facilities, personnel and organizational control system, which enable them to detect any deviations and representation error on financial report more easily [20]. The errors of client's data can be more easily detected by auditors who have been specialized in the industry than those who do not have any focus on a particular industry [9]. Compared to the auditors who do not have any specialization in a particular industry, the specialized auditors apparently have greater understanding about the specialization of the company industries [21].
H_2: Industrial-specialized auditors affect earnings management.

2.5. Financial Performance

Financial performance of a company is a description about financial condition and situation of the company, which is analyzed using financial-analyzing tool in accordance with the rules. Therefore, it can show good or bad financial condition of a company within a certain period of time. The

responsibility of management to the owner may present in the form of financial performance [22]. Financial performance can be demonstrated through financial ratio analysis of a company [23]. In order to observe whether a company has been operating well and appropriately in accordance to financial-implementation regulations, an evaluation can be performed by analyzing financial performance [24]. The higher the capacity of a company in gaining profit is, the more efficient the company will be in using their asset, and it can encourage the manager to increase corporate earnings by performing earnings management in order to achieve greater bonus [21].
H_3: Financial performance affects earnings management.

2.6. Corporate Diversification

Companies with corporate industrial and geographical diversification have greater probability of having earnings management compared to those that operate only in a single segment of business [25] [26]. The implementation of diversification will result in a more complicated organizational structure in a company as well as lower level of transparency, more complicated information to the investors, and higher level of financial analysis [27]. However, with the presence of corporate diversification, there are also unfavorable aspects that can be detrimental for the company, i.e., the unprofitable business segment in a company can cause greater loss, when it is compared to a company focusing only in a single segment of business [28].
H_4: Corporate diversification affects earnings management.

2.7. Audit Tenure

The length of auditor-client relationship (audit tenure) has a potency of creating closeness between them. Hence, it can reduce the auditor's independency and lower audit-quality [29]. The practice of earnings management in a company may increase due to long audit tenure between the company and Public Accounting Firm [30]. The long audit tenure may create a threat to auditor's independency as personal attachment and closeness among specific parties may lower the auditor's vigilance and even affect professional attitude to the top manager of the company [31].
H_5: Audit tenure affects earnings management.

2.8. Board of Director Size

The number of members in Board of Directors affects earnings management and it is assumed as the middle-point in providing effective supervision on financial report system of the company to stakeholders [12] [32]. Board of Directors includes people who determine important policy in a company. It has a duty to establish and manage governance that can be used by the company [15]. In Laws and Regulation and Article of Association, the term Board of Directors is unfamiliar, because the familiar term is director [33].
H_6: Board of Director size affects earnings management.

2.9. Managerial Ownership

Managerial ownership may increase the quality of financial reporting process of a company, as when a manager has an ownership on the company's shares, they will act like the shareholders in general and they will ensure that the financial report has been presented properly and demonstrate actual situation of the company [34]. A Manager who owns the company shares will be motivated to perform proper earnings management to level up the quality of its shares. Therefore, maximum benefits for the manager and shareholders can be achieved as much as possible [8]. The performance of a manager can be increased by the transfer of ownership from shareholders to managerial staff [35]. Incentive may cause increasing opportunistic behavior of the manager, when there is a low managerial ownership [36]. Share ownership by the management is called managerial ownership. High level of share ownership by the management will encourage them to increase the company performance in order to obtain earnings, not by conducting earnings management, as they also expect actual earnings on the company performance [37].
H_7: Managerial ownership affects earnings management.

This research model is described in Figure 1 as follow:

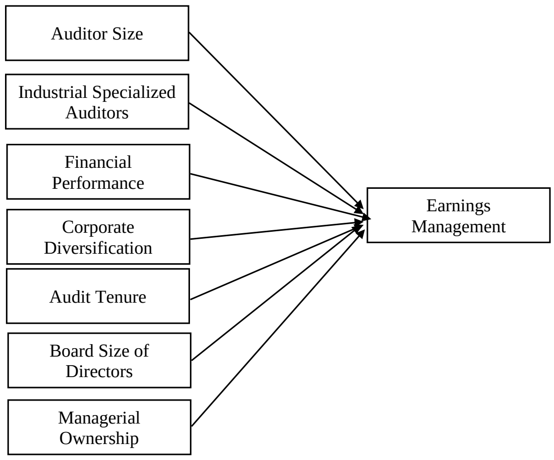

Figure 1 Research Model

3. RESEARCH METHOD

The form of study used was causality, in which this research was used to explain the cause-effect relationship which occurs in a problem model [38]. The object of research that would become the samples was non-financial companies listed in the Indonesia Stock Exchange (IDX) within the period of 2017 - 2019. In this research, the method used for collecting data was purposive-sampling method.

3.1. Operational Definition and Variable Measurement

The dependent variable used in this research is earnings management, with a proxy of discretionary accrual [3]. This research also used cash-flow approach to calculate the total accrual [3]. The following is a formula to calculate total accrual (TA):

$TAt = \text{IBEI}t - OCFt$

Total accrual was formulated by Jones, which was modified by Dechow, as follow [19]:

$$\frac{TA_{it}}{A_{it\text{-}1}} = \beta_1 \left(\frac{1}{A_{it\text{-}1}}\right) + \beta_2 \left(\frac{\Delta REV_{it}}{A_{it\text{-}1}}\right) + \beta_3 \left(\frac{PPE_{it}}{A_{it\text{-}1}}\right) + e$$

Meanwhile, Discretionary Accruals in this research is measured with ratio-scale using the cross-sectional variation of modified Jones model [3], which is as follow:

$$DA_{it} = \frac{TA_{it}}{A_{it\text{-}1}} - \{\beta_1 \left(\frac{1}{A_{it\text{-}1}}\right) + \beta_2 \left(\frac{\Delta REV_{it}\text{-}\Delta REC_{it}}{A_{it\text{-}1}}\right) + \beta_3 \left(\frac{PPE_{it}}{A_{it\text{-}1}}\right)\}$$

The values of β_1, β_2, and β_3 parameters were estimated through Ordinary Least Square (OLS) method and Non-Discretionary Accruals as follows:

$$NDA_{it} = \beta_1 \left(\frac{1}{A_{it\text{-}1}}\right) + \beta_2 \left(\frac{\Delta REV_{it}\text{-}\Delta REC_{it}}{A_{it\text{-}1}}\right) + \beta_3 \left(\frac{PPE_{it}}{A_{it\text{-}1}}\right)$$

Whereas:
DA_{it} = Discretionary Accruals
TA_{it} = Total accrual of a company in year t
$A_{it\text{-}1}$ = Total asset of a company in year t-1
β = Beta
ΔREV_{it} = Changes on net revenue of a company in year t
ΔREC_{it} = Changes on account receivable of a company in year t
PPE_{it} = Gross property, plant, and equipment of a company in year t
$IBEI_t$ = Income before extraordinary items in year t
OCF_t = Net operating cash flow in year t

The measurements of variables are summarized in Table 1 below.

Table 1 Variables Measurements

Variable	Description	Scale
Earnings Management (DA)	Using Jones model modified by Dechow	Ratio
Auditor Size (SIZE)	Dummy variable, which number 1 for companies audited by the big 4 KAP and 0 otherwise	Nominal
Industrial Specialized Auditors (SPEC)	Dummy variable, which number 1 for companies who own market share of > 20% and 0 otherwise	Nominal
	Market share can be calculated by taking the sales of specific companies, which is audited by a particular KAP, and dividing it by the total sales of all companies in a single industry	
Financial Performance (ROA)	Return on Assets = profit after tax/total asset	Ratio
Corporate Diversification (DIVER)	Number of segments in each company	Ratio
Audit Tenure (TENUR)	The number of years in a row a company has been using a particular KAP to audit its financial report	Ratio
Board Size of Directors (BOARD)	The number of board of directors members	Ratio
Managerial Ownership (MO)	The number of shares owned by management/all of the company's outstanding capital share	Ratio

4. RESULTS AND DISCUSSIONS

The studied objects utilized in this research are non-financial company listed in the Indonesia Stock Exchange (IDX) within the period of 2017 - 2019. Based on the 5 (five) criteria of sample selection in this research, there were 99 companies that fulfilled the research criteria. Thus, a total data as listed in Table 2 coming from 297 data samples.

Table 2 Sample Selection Procedure

	Sample Selection Criteria	Number of Companies	Number of Data
1.	All non-financial companies listed in the Indonesian Stock Exchange of year 2016 to 2019	438	1314
2.	Companies that presented financial statement which were not ended per 31st December within the period of 2016 to 2019	35	105
3.	Companies that did not present their financial statement using rupiah currency within the period of 2016 to 2019	78	234
4.	Companies that did not have net income within the period 2017 to 2019	125	375
5.	Companies that did not have managerial ownership within the period 2017 to 2019	101	303
	Total Samples	99	297

Source: Data were obtained from IDX and financial report

Table 3 presents a summary of descriptive-statistic results of earnings management and all independent variables. The value of discretionary accruals ranged between -0.24746 and 0.37322, and also the mean value was 0.0000001. Based on Table 3, on average, 39.0% of sample is audited by big 4 KAP and 21.0% of sample is audited by industrial-specialized auditors.

Table 3 Descriptive-Statistic Results

Variabel	N	Min	Max	Mean	Std. Deviation
DA	297	-0.2474600	0.3732200	0.0000001	0.0704436
SIZE	297	0	1	0.390	0.488
SPEC	297	0	1	0.210	0.405
ROA	297	0.0005258	0.4666000	0.0687350	0.0664710
DIVER	297	1	7	3.010	1.313
TENUR	297	1	18	7.330	4.448
BOARD	297	2	14	5.480	2.037
MO	297	0.000000067	0.4674600	0.0652246	0.1057380

Source: Results of Data Processing

Table 4 Classical-Assumption Test Results

Multicollinearity Test			Heteroscedasticity Test
Variable	Tolerance	VIF	Sig.
SIZE	0.683	1.463	0.113
SPEC	0.819	1.221	0.910
ROA	0.929	1.077	0.048
DIVER	0.901	1.110	0.963
TENURE	0.819	1.221	0.985
BOARD	0.772	1.296	0.031
MO	0.868	1.152	0.261
		Autocorrelation Test	
			Sig.
		RES_2	0.496

Source: Results of Data Processing

Table 4 shows that all independent variables have the tolerance values greater than 0.1 and Variance Inflation Factor (VIF) less than 10, which indicates that there is no multicollinearity in all independent variables. These results state that the data can be used in this research, because there is no relationship among the independent variables.

The results of heteroscedasticity show that all independent variables, that are auditor size, industrial-specialized auditors, corporate diversification, audit tenure, and managerial ownership have significance value $\geq$ 0.05, which means that there is no heteroscedasticity. Meanwhile, the financial performance and board of director size have significance value less than 0.05. This means that there is heteroscedasticity.

The results of auto-correlation test by using Breusch-Godfrey Test can be seen in Table 4 which shows the significance value of 0.496 (greater than 0.05), which means that there is no auto-correlation among the data used in this research.

Table 5 Correlation Coefficient Analysis, Adjusted R^2, and F-Test Results

Correlation Coefficient Analysis		
Model	R	
1	0.296	
Adjusted R^2		
Model	Adjusted R^2	
1	0.066	
F-Test		
Model	F	Sig.
Regression	3.966	0.000

Source: The Results of Data Processing

The correlation coefficient (R) is 0.296 as displayed in Table 5. The R-value is between 0 and 0.5, which indicates weak relationship between the dependent and independent variables. The adjusted R^2 value of 0.066 means that the variation of dependent variables can be explained by the variation of independent variable as much as 6.6%, while the remaining 93.4% of variation of the dependent variable can be explained by other factors not included in this study.

Table 5 shows the F-test results with the significance value of 0.000 (less than 0.05), which indicates that the model is fit in this research.

Based on results of t-test in Table 6, a regression model could be demonstrated as follow:

$$\text{Earnings Management} = -0.025 - 0.012\ SIZE - 0.021\ SPEC + 0.202\ ROA + 0.011\ DIVER - 0.001\ TENURE - 0.001\ BOARD - 0.019\ MO + \varepsilon$$

The results of t-test in the abovementioned Table 6 shows that the variable of Auditor Size (SIZE) has a significance value of 0.222, in which it is greater than or equal to 0.05. It means that H_1 was not accepted, thus the auditor size does not affect earnings management. The management performs earnings management by establishing the accrual-based financial statement. In order to achieve the desired revenue, manager will manipulate the company's accruals [9]. To auditors, it is difficult to reveal earnings management as establishing financial statement using accrual basis does not violate the accounting principles.

The variable of Industrial-Specialized Auditors (SPEC) has a significance value of 0.048, which is smaller than 0.05. It means that H_2 was accepted. So, the industrial-specialized auditors affect the earnings management. Based on beta value, which is -0.021, it reveals that the industrial-specialized auditors have a negative effect on earnings management. The auditors with industrial-specialization will have greater investment on technology, facility, personnel, and organization control system to detect any possible deviation. Therefore, any error in the client's data can be more easily detected by auditors who have been specialized in a particular industry [20]. Auditors, who have specialization in a specific industry, have been facilitated and equipped with better skills and technology and therefore, it is easier for them to find possible errors that might develop in the company's data, and it will cause lesser possibility of earnings management to occur.

Table 6 The Results of t-Test

Variable	B	Sig.	Results
(Constant)	-0.025	0.131	-
SIZE	-0.012	0.222	H_1 was not accepted
SPEC	-0.021	0.048	H_2 was accepted
ROA	0.202	0.001	H_3 was accepted
DIVER	0.011	0.000	H_4 was accepted
TENURE	-0.001	0.497	H_5 was not accepted
BOARD	-0.001	0.505	H_6 was not accepted
MO	-0.019	0.644	H_7 was not accepted

The variable of Financial Performance (ROA) has a significance value of 0.001, which is smaller than 0.05. It means that H_3 was accepted. So, financial performance affects earnings management. Based on the beta value of 0.202, it shows that financial performance has a positive effect on earnings management. Return on Asset indicates corporate capacity in achieving revenue by utilizing the company's asset efficiently. High corporate capacity in achieving revenue can encourage the company manager to perform earnings management as he / she craves to increase the company's earnings in order to get greater bonus [21]. Moreover, high earnings generated by the company means that the tax that must be paid will become greater. It can also cause a manager to perform earnings management in order to reduce the company's earnings so that the paid-tax becomes lesser.

The variable of Corporate Diversification (DIVER) has a significance value of 0.000, which is smaller than 0.05. It means that H_4 was accepted. Thus, Corporate Diversification affects earnings management. Based on the beta value, which is 0.011, it demonstrates that corporate diversification has a positive effect on earnings management. Diversified corporation by business point-of-view, can cause a relatively great loss. It occurs since the other unsuccessful business activities can cause greater loss to the company compared to the one that only focuses on one single-segment of business [28]. Therefore, the greater level of diversification of a company also causes the greater possibility of management to perform earnings management, since the actual earning of the company is not consistent with the expected earnings.

The variable of Audit Tenure (TENURE) has a significance value of 0.497, which is greater than or equal to 0.05. It means that audit tenure does not affect earnings management. When the tenure is short, then the auditor may not have better understanding of the company. Therefore, the company may have possibility to perform earnings management. When auditing is performed in a long tenure, then the auditor's independency will be reduced. Thus, the company probably may perform earnings management [19].

The variable of Board of Director Size (BOARD) has a significance value of 0.505, which is greater than or equal to 0.05. It means that H_6 was not accepted. Hence, Board of Director Size does not affect earnings management. The practice of earnings management still cannot be indicated by smaller or greater number of board of directors in a company [15].

The variable of Managerial Ownership (MO) has a significance value of 0.644, which is greater than or equal to 0.05. It means that H_7 was not accepted. By this way, managerial ownership does not affect earnings management. The proportion of shares owned by corporate management cannot guarantee that the management will work appropriately. Hence, the company will seem to become better and the management will also get greater profit than the owned shares, when it does not perform earnings management [10].

5. CONCLUSION

5.1. Conclusions

Based on the analysis and discussion, which have been performed among 99 companies acquiring 297 data samples within the year 2017 to 2019, it can be concluded that industrial-specialized auditors have a negative effect on earnings management, while financial performance and corporate diversification have positive effects on Earnings Management. Meanwhile, auditor size, audit tenure, board of director size and managerial ownership do not affect earnings management.

5.2. Limitations

There are some limitations in the research, which are: (1) The results of correlation coefficient test show that the variation of dependent variables can only be explained by the variation of independent variable as much as 6.6%, while the remaining 93.4% can be explained by other factors out of the scope of this study; (2) On two variables of this research, which are financial performance and board of directors, heteroscedasticity occurs; and (3) The data used in this research is not normally-distributed.

5.3. Recommendations

Some suggestions for further research can be provided, which are as follows: (1) Adding other independent variables that may have effects on earnings management such as board of independence, institutional ownership, leverage, capital structure, stock issuance, frequency of audit committee meetings, and audit quality; (2) Overcoming heteroscedasticity by conducting data transformation; and (3) Adding data that become samples to deal with the abnormal residual data.

REFERENCES

[1] S. Effendi and Daljono, "Pengaruh Corporate Governance Dan Kualitas Auditor Terhadap Manajemen Laba," *Diponegoro J. Account.*, vol. 2, no. 3, pp. 1–14, 2013, [Online]. Available: https://ejournal3.undip.ac.id/index.php/accounting/article/view/3470.

[2] W. Amelia and E. Hernawati, "Pengaruh Komisaris Independen, Ukuran Perusahaan, dan Profitabilitas terhadap Manajemen Laba," *NeO~Bis*, vol. 10, no. 1, pp. 62–77, 2016, DOI: 10.21107/nbs.v10i1.1584.

[3] L. Ahmad, E. Suhara, and Y. Ilyas, "The Effect of Audit Quality on Earning Management within Manufacturing Companies Listed on Indonesian Stock Exchange," *Res. J. Financ. Account.*, vol. 7, no. 8, pp. 132–138, 2016, [Online]. Available: https://www.iiste.org/Journals/index.php/RJFA/article/view/29977.

[4] N. H. Dang, T. V. H. Hoang, and M. D. Tran, "Factors affecting earnings management: The case of listed firms in Vietnam," *Int. J. Econ. Res.*, vol. 14, no. 20, pp. 117–134, 2017, [Online]. Available: https://www.researchgate.net/publication/322759769_Factors_Affecting_Earnings_Management_The_Case_of_Listed_Firms_in_Vietnam/link/5a89400baca272017e5fcca0/download.

[5] I. P. Sofia and E. Murwaningsari, "The Role of Corporate Diversification, Capital Structure Determinant, And Structure of Ownership on Earning Management with Information Asymmetry as Moderating Variable," *Res. J. Financ. Account.*, vol. 10, no. 14, pp. 45–51, 2019, DOI: 10.7176/RJFA/10-14-05.

[6] Z. Inaam, H. Khmoussi, and Z. Fatma, "Audit Quality and Earnings Management in the Tunisian Context," *Int. J. Account. Financ. Report.*, vol. 2, no. 2, pp. 17–33, 2012, DOI: 10.5296/ijafr.v2i2.2065.

[7] Y. K. Susanto and A. Pradipta, “Corporate Governance and Real Earnings Management,” *Int. J. Business, Econ. Law*, vol. 9, no. 1, pp. 1051–1085, 2016, [Online]. Available: https://www.ijbel.com/wp-content/uploads/2016/05/K9_82.pdf.

[8] N. Alexander and S. Christina, “The Effect of Corporate Governance, Ownership and Tax Aggressiveness on Earnings Management,” *Account. Financ. Rev.*, vol. 4, no. 2, pp. 40–45, 2017, [Online]. Available: https://www.macrothink.org/journal/index.php/ijafr/article/view/2065/1893.

[9] I. Christiani and Y. W. Nugrahanti, “Pengaruh Kualitas Audit Terhadap Manajemen Laba,” *Jurnal Akuntansi dan Keuangan*, vol. 16, no. 1, pp. 52–62, 2014, DOI: 10.9744/jak.16.1.52-62.

[10] S. Nugraheni, Y. W. Nugrahanti, and H. H. Andreas, “Pengaruh Mekanisme Corporate Governance terhadap Manajemen Laba,” 2015.

[11] H. S. Sulistyanto, *Manajemen Laba: Teori dan Model Empiris*, II. Jakarta: PT Grasindo, 2018.

[12] A. Pradipta, “Analisis Pengaruh dari Mekanisme Corporate Governance dengan Manajemen Laba,” *Jurnal Bisnis dan Akuntansi*, vol. 13, no. 2, pp. 93–106, 2011, DOI: 10.34208/jba.v13i2.110.

[13] F. I. Hadi and S. Tifani, “Pengaruh Kualitas Audit Dan Auditor Switching Terhadap Manajemen Laba,” *J. Bisnis dan Akunt.*, vol. 22, no. 1, pp. 95–104, 2020, DOI: 10.34208/jba.v22i1.620.

[14] F. Firnanti, “PENGARUH CORPORATE GOVERNANCE, DAN FAKTOR-FAKTOR LAINNYA TERHADAP MANAJEMEN LABA FRISKA,” *J. Bisnis dan Akunt.*, vol. 19, no. 1, pp. 66–80, 2017, DOI: 10.34208/jba.v19i1.66.

[15] L. Arifin and N. Destriana, “Pengaruh Firm Size , Corporate Governance , Dan Karakteristik Perusahaan Terhadap Manajemen Laba,” *J. Bisnis dan Akunt.*, vol. 18, no. 1, pp. 84–93, 2016, DOI: 10.34208/jba.v18i1.41.

[16] Nini and E. Trisnawati, “Pengaruh Independensi Auditor pada KAP Big Four Terhadap Manajemen Laba,” *J. Bisnis Dan Akunt.*, vol. 11, no. 3, pp. 175–188, 2009, DOI: 10.34208/jba.v11i3.243.

[17] F. Florencia and M. Susanty, “Tata Kelola Perusahaan, Aliran Kas Bebas Dan Manajemen Laba,” *J. Bisnis dan Akunt.*, vol. 21, no. 2, pp. 141–154, 2019, DOI: 10.34208/jba.v21i2.615.

[18] B. Sebastian and I. Handojo, “PENGARUH KARAKTERISTIK PERUSAHAAN DAN CORPORATE,” *J. BISNIS DAN Akunt.*, vol. 21, no. 1a-1, pp. 97–108, 2019, [Online]. Available: http://jurnaltsm.id/index.php/JBA/article/view/712.

[19] F. D. P. Kono and E. N. A. Yuyetta, “Pengaruh Arus Kas Bebas, Ukuran KAP, Spesialisasi Industri KAP, Audit Tenur dan Independensi Auditor terhadap Manajemen Laba,” *Diponegoro J. Account.*, vol. 2, no. 3, pp. 1–9, 2013, [Online]. Available: http://eprints.undip.ac.id/40115/.

[20] K. Kanagaretnam, C. Y. Lim, and G. J. Lobo, “Auditor reputation and earnings management: International evidence from the banking industry,” *J. Bank. Financ.*, vol. 34, no. 10, pp. 2318–2327, 2010, DOI: 10.1016/j.jbankfin.2010.02.020.

[21] A. Yuliana and I. Trisnawati, “Pengaruh Auditor dan Rasio Keuangan terhadap Managemen Laba,” *J. Bisnis dan Akunt.*, vol. 17, no. 1, pp. 33–45, 2015, DOI: 10.5539/ibr.v5n1p216.

[22] L. E. Muliani, G. A. Yuniarti, and K. Sinarwati, “Pengaruh Kinerja Keuangan terhadap Nilai Perusahaan dengan Pengungkapan Corporate Social Responsibility dan Good Corporate Governance sebagai Variabel Pemoderasi,” *Univ. Pendidik. Ganesha*, vol. 2, no. 1, pp. 1–10, 2014, DOI: 10.23887/jimat.v2i1.3423.

[23] S. Ross, R. W. Westerfield, and B. D. Jordan, *Fundamentals of Corporate Finance*, Alternate., vol. 1. United States: The McGraw-Hill Companies, Inc, 2003.

[24] D. Saraswati, Suhadak, and S. R. Handayani, “Analisis Laporan Keuangan sebagai Alat Penilaian Kinerja Keuangan pada Koperasi (Studi pada Koperasi Universitas Brawijaya Malang Periode 2009-2012),” *J. Adm. Bisnis*, vol. 6, no. 2, pp. 1–10, 2013, [Online]. Available: http://administrasibisnis.studentjournal.ub.ac.id/index.php/jab/article/view/291.

[25] D. Lupitasari and Marsono, “Diversifikasi Perusahaan Dan Manajemen Laba,” *Diponegoro J. Account.*, vol. 2, no. 4, pp. 118–129, 2012, [Online]. Available: https://ejournal3.undip.ac.id/index.php/accounting/article/view/4462.

[26] M. Haryanto and L. Lina, “Diversifikasi Usaha Dan Manajemen Laba Dengan Pendekatan Conditional Revenue Model,” *J. Akunt.*, vol. 21, no. 2, pp. 302–317, 2017, DOI: 10.24912/ja.v21i2.200.

[27] I. K. El Mehdi and S. Seboui, “Corporate diversification and earnings management,” *Rev. Account. Financ.*, vol. 10, no. 2, pp. 176–196, 2011, DOI: 10.1108/14757701111129634.

[28] S. H. Satoto, “Strategi Diversifikasi terhadap Kinerja Perusahaan,” *J. Keuang. dan Perbank.*, vol. 13, no. 2, pp. 280–287, 2009, DOI: 10.26905/jkdp.v13i2.936.

[29] A. A. Al-Thuneibat, R. T. I. Al Issa, and R. A. Ata Baker, “Do audit tenure and firm size contribute to audit quality? Empirical evidence from Jordan,” *Manag. Audit. J.*, vol. 26, no. 4, pp. 317–334, 2010, DOI: 10.1108/02686901111124648.

[30] V. K. Dinuka and Zulaikha, “Analisis Pengaruh Audit Tenure, Ukuran KAP dan Diversifikasi Geografis terhadap Manajemen Laba,” *Diponegoro J. Account.*, vol. 3, no. 3, pp. 658–668, 2014, [Online]. Available: https://ejournal3.undip.ac.id/index.php/accounting/article/view/6236.

[31] A. O. Okolie, “Auditor Tenure, Auditor Independence and Accrual - Based Earnings Management of Quited Companies in Nigeria,” *Eur. J. Account. Audit. Financ. Res.*, vol. 2, no. 2, pp. 63–90, 2014, [Online]. Available: https://www.eajournals.org/journals/european-journal-of-accounting-auditing-and-finance-research-ejaafr/vol-2issue-2apirl-2014/auditor-tenure-auditor-independence-accrual-based-earnings-management-quoted-companies-nigeria/.

[32] N. Mansor, A. Che-Ahmad, N. A. Ahmad-Zaluki, and A. H. Osman, “Corporate Governance and Earnings Management: A Study on the Malaysian Family and Non-family Owned PLCs,” *Procedia Econ. Financ.*, vol. 7, pp. 221–229, 2013, DOI: 10.1016/s2212-5671(13)00238-4.

[33] S. M. Chandra and I. A. Djashan, “Pengaruh Leverage Dan Faktor Lainnya Terhadap Manajemen Laba Pada Perusahaan Non Keuangan,” *J. Bisnis Dan Akunt.*, vol. 20, no. 1, pp. 13–20, 2018, DOI: 10.34208/jba.v20i1.403.

[34] M. Kouki, A. Elkhaldi, H. Atri, and S. Souid, “Does Corporate Governance Constrain Earnings Management? Evidence from U.S. Firms,” *Eur. J. Econ. Financ. Adm. Sci.*, no. 35, pp. 58–71, 2011, [Online]. Available: https://www.academia.edu/30714599.

[35] A. Pradipta, “Manajemen Laba: Tata Kelola Perusahaan dan Aliran Kas Bebas,” *J. Bisnis dan Akunt.*, vol. 21, no. 2, pp. 205–214, 2019, DOI: 10.34208/jba.v21i2.624.

[36] R. Jao and G. Pagalung, “Corporate Governance, Ukuran Perusahaan, dan Leverage terhadap Manajemen Laba Perusahaan Manufaktur Indonesia,” *J. Akunt. Audit.*, vol. 8, no. 1, pp. 43–54, 2011, DOI: 10.14710/jaa.v8i1.4346.

[37] F. Asitalia and I. Trisnawati, “Pengaruh Good Corporate Governance dan Leverage terhadap Manajemen Laba,” *J. Bisnis dan Akunt.*, vol. 19, no. 2, pp. 109–119, 2017, DOI: 10.34208/jba.v19i1a-2.305.

[38] U. Sekaran and R. Bougie, *Research Methods for Business : A Skill-Building Approach*, 7th ed. Chichester, WS: John Wiley and Sons, 2016.