

Full Length Research Paper

Corporate Governance and earnings management around the implementation UU NO. 36/2008

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ABSTRACT

This study examined the impact of corporate governance mechanisms to earnings management performed by companies listed on the Stock Exchange with the issuance of Law No. 36/2008 on the implementation of the single tax rate in force since 2009. The independent Commissioner minimizes earnings management around the implementation of Law No.36 / 2008. This study examined the impact of the size of the commissioner, the number of commissioners held by commissioners and institutional shareholders to earnings management. Samples are non-financial companies listed on the Stock Exchange in the period 2008-2010. Measurement of earnings management using current discretionary accrual method as used by Guenther (1994) and the effective tax rate. To measure the factors that influence earnings management, using multiple regression. The dependent variable is the discretionary current accruals and the effective tax rate. While the independent variable is: firm size, leverage and profitability. The results showed that independent commissioners positive effect on earnings management. It did not confirm the hypothesis that expects independent directors will give a negative effect on earnings management. This study also shows that the size of the board of commissioners that is both board size smaller. Small board size which will make it easy for commissioners to coordinate, making it easier in the regulatory process. The study also found that the commissioners who many hold positions outside the company do not exercise effective oversight. This is because the commissioners were too busy. This study also shows that managers perform earnings management around the turn of the tax law, or in this context is the application of Law No. 36/2008. Determination of a new rate calculation method provides an opportunity for managers to manage earnings. They could move the company's earnings from the period that has higher tax rates for periods that have a low tax rate. It shows the manager to take this opportunity.

Keywords: Law No.36 / 2008, income taxes, earnings management, discretionary current accruals, corporate governance.

INTRODUCTION

Regulatory changes the calculation of income tax in 2008 provides an opportunity for companies to profit management. Companies can defer income or accelerate cost, so that earnings in 2008 will be smaller than actual earnings. The impact in 2009 or 2010 is the company's profit will be greater than the actual profit. This strategy resulted in the company can save expenses from payment of income tax. Thus, companies have the motivation to perform earnings management with the aim

of minimizing taxes. Ronen and Yaari (2008) revealed one important motivation for earning Management Company is the motivation of tax (Blaylock, Gaertner, and Shevlin, 2012). Motivation such tax may be the utilization of tax changes that resulted in the tax rate will be lower, so companies are trying to divert profits (Guenther, 1994; Monem, 2003; Roubi and Richardson, 1998; Yamashita and Otogawa, 2007; Yin and Cheng, 2004), companies trying to take advantage of tax exemptions (tax holiday) provided by the government (KZ Lin, 2006), the company attempted tax evasion (Desai and Dharmapala 2006; Huseynov and Klamm, 2012; Richardson, Taylor and Lanis, 2013).

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Research related to earnings management and tax regulation changes have been done. Research conducted by Guenther (1994) in the United States showed that companies take advantage of the momentum of tax rate reduction by performing earnings management which resulted in reduced profit (downward earnings management) in the period prior to the application of the new tax rates. These results were confirmed by Boynton, et al. (1992) and Yin and Cheng (2004). Companies in the United States earning management by trying to lower revenue in the period prior to the application of a lower tax rate. Yamashita and Otagawa (2007) also showed companies in Japan earning management to shift profits from high tax rate periods to periods of lower tax rates. Research in Australia also showed the company earning management which resulted in the company's profit declined in the higher tax before switching to a lower tax period (Balachandran, et al., 2007).

Research on the earnings management and motivation of tax in China also showed results consistent with the theory, which is the company earning management to minimize taxes (B. Lin, et al., 2012). B. Lin et al. (2012) examined the behavior of companies in China in the face of falling tax rates prevailing in 2008. The results showed no negative earnings management in the period prior to the application of tax rates lower taxes. The study, using data derived from the cross-country conducted by Roubi et al. (1998) showed that companies in three countries: Canada, Malaysia, and Singapore earning management to defer income and accelerate cost cuts in the year prior to the application of tax rates. Further study using a sample of companies in Europe also showed companies in Europe earning management by transferring profits to the period of tariff cuts, so that the company can minimize tax costs (Dharmapala and Riedel, 2013).

However, research conducted by Hashim, et al. (2012) using a sample study in Malaysia was unable to confirm the earnings management performed by the company when there is a tax waiver in Malaysia. Companies in Malaysia did not use the opportunity waiver tax (a tax) given in 2009. Thus, this study did not confirm Lin (2006), which shows the company in Hong Kong using the tax holiday period to minimize taxes by performing earnings management.

Research related to earnings management in the face of falling tax rates in Indonesia produce inconsistent results (Hidayati and Zulaikha, 2003; Setiawati, 2001; Suwardi, 2011). Suwardi (2011) replicate the study Guenther (2004) by testing the behavior of manufacturing firms in Indonesia in addressing the Law No.36 / 2008 showed the majority of manufacturing companies in Indonesia have negative discretionary accruals. However Suwardi (2011) did not perform statistical testing whether the value of discretionary accruals is negative or not statistically significant. In addition, research conducted Hidayati and Zulaikha (2003) and Setiawati (2001) found

no significant earnings management in the year prior to the application of withholding tax rates. This shows companies in Indonesia do not transfer profits from high tax rate periods to periods of low taxes. These results are consistent with studies in other developing countries, namely Malaysia (Hashim, et al., 2012).

Guenther (1994) investigated the factors that influence earnings management when tax cuts. The result shows the company's size, leverage and property managers have a significant effect. While other studies have shown firm size, leverage and growing effect on earnings management in responding to tax regulatory changes in Malaysia (Adhikari, Derashid, and Zhang, 2005) and political relations with the ruling party (Adhikari, Derashid, and Zhang, 2006). However, studies in Indonesia are carried out by Suwardi (2011) found no significant evidence regarding the effect of firm size, leverage and property managers.

The results of the study Sudaryono et. al. (2013) indicate earnings management when the implementation of Law No.36 / 2008. There is a difference of discretionary accruals between 2008 and 2006. The company carries more aggressive earnings management in 2008, when the last application of the old rules, by 2006. The company utilizes changes in tax regulations to regulate earnings. The information presented by companies that are earning management is information that is distorted, because the company does not present the actual profit value.

Corporate governance as a mechanism to supervise the board of directors is expected to reduce earnings management. Research conducted by Lanis and Richardson (2011), Richardson, Taylor and Lanis (2013), and Minnick and Noga (2010) showed that good corporate governance reduces earnings management. Independent commissioner a negative impact on companies doing earnings management with the aim of minimizing taxes. So, commissioner to supervise the directors that do not profit management. Lim (2011) suggest that institutional investors affect the link between efforts to evade taxes and the cost of debt.

Taxes are a major contributor to state revenues (Firmanzah, 2012) and the government sets No.36.2008 Act which apply a single rate of tax applicable in 2009 and 2010. The application of tax rates that are lower than previous rates provide an incentive for companies to move profits from the period with higher tax rates for periods with lower tax rates. Overseas research showed that companies earning management in addressing the application of the tax rates are lower (Guenther, 1994; Roubi and Richardson, 1998; Yin and Cheng, 2004) but the evidence in Indonesia showed no earnings management significantly in response to cuts in tax rates (Hidayati and Zulaikha, 2003; Setiawati, 2001). Research Sudaryono, Bandi, and Suranta, 2013 indicate earnings management around the implementation of Law No. 36/2008. Research on the earnings management

motivated by tax decisions is highly recommended, since the evidence is still required (Graham, et al., 2012; Hanlon and Heitzman, 2010). Research on the earnings management motivated by tax also highly recommended to be done in developing countries because of the different institutions in the United States (Li and Cai, 2011). Research on the impact of corporate governance shows that good corporate governance reduces earnings management (Lanis and Richardson, 2011; Y. Lim, 2011; Minnick and Noga, 2010; Richardson, et al., 2013). Therefore, this study will examine the impact of corporate governance mechanisms to earnings management performed by companies listed on the Stock Exchange with the issuance of Law No. 36/2008 on the implementation of the single tax rate in force since 2009.

Problems Research

This study will investigate the impact of corporate governance on earnings management in addressing the implementation of Law No. 36/2008. The new tax rules using a single tariff at a rate lower than the previous rate. Single rate applicable for 2009 and 2010 are 28% and 25%. For listed companies the applicable tax rate is reduced to 5%, so that the tax rate imposed for the years 2009 and 2010 was 23% and 20%. Withholding tax rates provide an incentive for companies to manage earnings by transferring profits to the year 2009 and 2010. Transfer of profit can be done by speeding up or delaying fee income. Empirical evidence suggests that corporate governance negatively affect earnings management (Lanis and Richardson, 2011; Y. Lim, 2011; Minnick and Noga, 2010; Richardson, et al., 2013). Therefore, the problems in this research are:

"Do corporate governance effect on earnings management resulting tax motivation?"

In more detailed research problems are

1. Is the independent commissioner effect on earnings management resulting tax motivation?
2. Does the number of commissioners who sit on the Board of Commissioners effect on earnings management resulting tax motivation?
3. Does the number of commissioners who held an effect on earnings management resulting tax motivation?
4. Is the institutional ownership effect on earnings management resulting tax motivation?

EARNINGS MANAGEMENT TO MINIMIZE TAX

The definition of earnings management proposed by Healy and Wahlen (1999) are as follows:

Earnings management Occurs when managers use judgment in financial reporting and in structuring

transactions to alter financial reports to either mislead some stakeholders about the underlying economic performance of the company or to influence contractual outcomes that depend on accounting Reported numbers (p.368).

This definition states earnings management occurs when managers use judgment in financial reporting, resulting in financial statements do not report the actual performance of the company. The information does not correspond to the actual condition of the company will result in investment decisions taken by users of financial statements to be not optimal. The policy manager can be either chooses one of the accounting methods of the various methods available, with a view to their own interests. Or managers can use tax account in the financial statements in order to achieve the profit target (Dhaliwal, Gleason, and Mills, 2004).

Ronen and Yaari (2008) reveal one of the motivations that can encourage managers earning management is the motivation of the tax. Managers to manipulate earnings with the aim to minimize the taxes paid by the company. Thus, the company can make tax savings. Given the importance of the tax, so some researchers like Graham et al. (2012), Hanlon and Heitzman (2010), Li and Cai (2011) recommends research on the relationship between earnings management and tax increasingly propagated. Management profit made by the company may be in the form of transfer of profits of the period with high tax rates to low tax rate (Balachandran, et al., 2007; Boynton, et al., 1992; Dharmapala and Riedel, 2013; Guenther, 1994; Marques et al., 2011; Monem, 2003; Roubi and Richardson, 1998; Yin and Cheng, 2004); earning management with the aim of tax evasion (Desai and Dharmapala 2006, 2009; Huseynov and Klamm, 2012; Taylor and Richardson, 2012); or by utilizing the tax exemptions granted by the government (Bachek, Ahmad, and Saleh, 2012; Hashim, et al., 2012; K. Z. Lin, 2006).

Guenther (1994) conducted a study related to earnings management when the company is facing cuts in tax rates imposed by the government in the United States. The US government cut the maximum tax rate from 46% to 34%. Companies in the United States can take advantage of these tax cuts to minimize their taxes. The results showed discretionary accruals in the year prior to the application of the new tax rate is significantly negative. These results showed companies in the United States perform earnings management prior to implementation of the new tax rules. The results of this study are consistent with the results of Boynton, et al. (1992) who found the company did discretionary accrual unusual in the year prior to the application of the Tax Reform Act 1986 in the United States. Furthermore Yin and Cheng (2004) compares the company is suffering losses and makes a profit in doing earnings management to minimize taxes. The results show that the company suffered losses tend

to be opportunistic in the face to minimize the chance of withholding tax applicable rate. While companies are experiencing the benefits of using the opportunity to minimize taxes by earnings management resulting in decreased earnings.

Effect on corporate governance management tax profit resulting from motivation

This section discusses the influence of corporate governance mechanism to earnings management resulting tax motivation when the implementation of Law No. 36/2008. This section will discuss: independent commissioner, the number of commissioners, the number of commissioners held by commissioners and institutional ownership on earnings management is done in order to take advantage of opportunities when the implementation of Law No. 36/2008.

Independent Commissioner and Profit Management

Commissioner is an independent commissioner who has no connection with the companies, so hopefully he will be able to take independent decisions. Independent commissioners are expected to supervise the directors. So the presence of independent directors is expected to improve the quality of the company's financial statements. If the quality of financial statements better, then the information will also be better served. The existence of independent directors is expected to reduce earnings management activities undertaken by the company. Independent commissioner will oversee the process of preparing the financial statements, resulting in the quality of financial statements. Given the importance of the role of independent directors Bapepam requires at least a third of the number of commissioners is independent directors.

Research on the influence of independent directors on earnings management has a lot to do. Research conducted by Davidson, Goodwin-Stewart, and Kent (2005), Firth, Rui and Wu (2011), Liu and Lu (2007), Xie, Davidson, and DaDalt (2003) showed independent commissioner negative effect on earnings management. Commissioners were able to reduce earnings management conducted by the company. On the other hand Chavelas and Tzovas (2010), Dai, Kong and Wang (2013), Epps and Ismail (2009), Mulgrew and Parker (2006), Sarkar, Sarkar, and Sen (2008) found no significant influence of independent directors to manajemen profit. Thus, the independent directors are not able to give effect in reducing management Even research conducted by Osma and Noguera (2007) independent commissioner would indicate a positive effect on earnings management. The existence of an independent commissioner increase company earnings management practices. The results of these studies show the results of research on the effectiveness of

independent directors in reducing earnings management is inconsistent.

Research in Indonesia conducted by Siagian and Tresnaningsih (2011) showed independent commissioner in Indonesia a negative effect on earnings management. The existence of an independent commissioner could reduce earnings management conducted by the company. The results are consistent with the results of Nasution and Setiawan (2007). Nasution and Setiawan (2007) examined the influence of independent directors on earnings management in the banking industry in Indonesia. The results showed independent commissioner reduce earnings management in the banking industry in Indonesia. On the other hand, research done by Siregar and Main (2008) did not show any influence of independent directors on earnings management in Indonesia. Independent commissioners in Indonesia are not able to conduct adequate monitoring of the board of directors. Commissioners in Indonesia are dominated by internal commissioner, so that the supervisory function independent commissioners in Indonesia was not optimal.

Associated with the function of independent directors in order to reduce tax motivated profit management research conducted by Lanis and Richardson (2011), Minnick and Noga (2010), Richardson, et al. (2013). Lanis and Richardson (2011) examined the effectiveness of directors who come from outside the company to the aggressiveness of the company in dealing with taxes. Lanis research results and Richardson (2011) showed independent directors reduce the aggressiveness of the company in managing corporate taxes. Independent commissioner is able to improve the quality of the company's financial statements for the financial statements presented to show better information. The results of this study are consistent with the Richardson, et al. (2013) which shows the interaction between the independent directors and the risk management system also reduces the aggressiveness of the company in dealing with taxes. But research conducted by Minnick and Noga (2010) showed no influence of independent directors in the management of taxes in America.

Based on agency theory, directors and owners of companies have different interests (Jensen and Meckling, 1976), resulting in agency costs. One function is to oversee the independent board of directors to be consistent with the interests of shareholders. One of them is to oversee the financial reporting presented. Empirical evidence suggests that independent directors have a negative influence on earnings management (Firth, et al., 2011; Nasution and Setiawan, 2007; Siagian and Tresnaningsih, 2011), including reducing the aggressiveness of the company in the management of tax (Lanis and Richardson, 2011; Richardson, et al., 2013). Therefore, this study hypothesized as follows:

H1: Independent Commissioner Negative effect on

earnings management resulting tax motivation

The size of the Board of Commissioners and Profit Management

There are two theories about the impact of board size and earnings management: reduce the large number of members of earnings management and the small number of members reduces earnings management (Jensen and Meckling, 1976). Commissioners with a large amount have the advantage in terms of the greater number of commissioners, the commissioners also more skilled. Thus supervision would be more accurate. However, the number of commissioners that many also have weaknesses. First, large numbers of members resulting in communication problems. Decision-making will become more difficult because it will be much debate and negotiation among commissioners. Second, the number of commissioners resulted in a free-rider among commissioners (Bliss, 2011). On the other hand, a smaller number of members on the board of directors will suppress the possibility of a free rider and minimize communication problems. However, the number of commissioners smaller will certainly have limitations in terms of the number of experts who less.

The empirical evidence on the effect of the number of commissioners to earnings management shows inconsistent results. Garcia-Mecha and Sanchez-Ballesta (2009) showed that the number of commissioners were small effective in reducing earnings management. But research conducted by Bradbury, Mak and Tan (2006) would indicate the number of commissioners that many were able to minimize the earnings management. While the research conducted Kasipillai and Mahenthiran (2013) shows the number of commissioners has no effect on earnings management.

The number of commissioners that small has the advantage in terms of speed of decision making and reduce the free rider (Bliss, 2011). The number of commissioners that small causes more focus in its board of directors to supervise the board of directors. Therefore, it is expected the number of commissioners a negative effect on earnings management. So the second research hypothesis is as follows:

H2: board size negative effect on earnings management caused by tax motivations

Number of Commissioners Held Position and Profit Management

There are two theories relating to the impact of the commissioners who have positions outside the company: the effect of reputation (Fama and Jensen, 1983) and the effect of busyness commissioner (Fich and Shivdasani, 2006). Has a reputation effect argument, commissioners will build their reputation by demonstrating good

performance on the job. Commissioners with good performance will bring the company to obtain better performance. By having a good performance, then the commissioner establish a good reputation. The market will give awards to the commissioner who has a solid reputation with the way the number of bids to be commissioner elsewhere. So, the commissioner who holds the commissioners outside is a sign that the commissioner has a good performance. It is expected the commissioners who have a good reputation will minimize earnings management. Or in other words, there is a negative correlation between the numbers of commissioners held with earnings management.

On the other hand, Fich and Shivdasani (2006) argue the commissioner holds a position many would be too busy to conduct surveillance. So the quality of supervision will be reduced. The manager will be more flexible earning management if the commissioner is too busy with his work. Therefore, there is a positive relationship between the numbers of commissioners held with the management of profit made by the company.

Research conducted by Sharma and Kuang (2013) showed that the commissioner's office has a lot actually a positive impact on the quality of earnings. So, commissioners have many positions indicate good quality. These results are consistent with research Masulis and Mobbs (2013a, 2013b), which also showed the commissioners who hold many positions had a positive influence on corporate value. But research conducted by Sharma and Isselin (2012) actually showed a commissioner who holds many positions too busy in monitoring so that the possibility of errors in the presentation of financial statements increases. Even Peng Chia, Hong and Feng (2013) showed the commissioners who are too busy actually had a negative impact on the company. Earnings management activity occurs fairly high in the companies they oversee. Therefore, the third hypothesis of this study is related to the number of positions held by the commissioner on earnings management are as follows:

H3: commissioner who holds many positions outside a positive effect on earnings management caused by tax motivations.

Institutional Ownership and Earnings Management

There are two theories regarding the impact of institutional ownership on earnings management: institutional ownership can reduce earnings management and institutional ownership increases earnings management activities (Koh, 2003). Institutional ownership active role in management as they strive to maintain their investment. If the company is able to improve its performance, this course will increase their investment returns. In addition, institutional investors also need quality information in order to take investment

decisions. With the investment, the quality will be better investment decisions. Thus, the existence of institutional ownership will give a negative impact on earnings management. On the other hand, institutional ownership will push managers to earn high profits. This encourages managers to perform a variety of ways to increase profits. One way to increase profit is to make profit management. So, institutional ownership could lead to an increase in earnings management.

Empirical evidence of the impact of institutional ownership on earnings management is inconsistent. Research conducted by García-Meca and Sánchez-Ballesta (2009) and Sarkar, et al. (2008) showed the existence of institutional ownership is able to not give a negative influence on earnings management. So, the supervising director of institutional investors in the management of the financial statements, so that the director does not freely in earning management. However, Bradbury, Mak and Tan (2006) and Chen, Elder, and Hung (2010) it shows institutional ownership encourages managers to perform more aggressive earnings management. Institutional investors push managers to earn high profits, so the manager earning management with the aim of increasing the value of earnings. However, research conducted by Lim, How and Verhoeven (2014) and Siregar and Main (2008) it shows institutional ownership has no effect on earnings management.

Institutional investors have more motivation to get involved in the current regulatory process. They want financial statements that have better quality, so the presence of institutional investors will give a negative impact on earnings management performed by the manager (García-Meca and Sánchez-Ballesta, 2009; Koh, 2003; Sarkar, et al., 2008). This study proposes a fourth hypothesis as follows:

H4: institutional ownership has a negative effect on earnings management caused by tax motivations.

CONTROL VARIABLE

Control variables in this study there are three, namely: firm size, leverage, and profitability.

Company size and earnings management

Based on the positive accounting theory (Watts and Zimmerman, 1978) large companies are more sensitive to political cost, so it tends to make a profit management with the aim of producing a smaller profit. These actions were taken to reduce the likelihood of companies observed by parties regulator. In the context of earnings management in the face of regulation resulted in a decrease in tax rates, companies tend to manage earnings.

Research conducted by Guenther (1994) showed large companies in the United States earning management by

reducing the real value of earnings compared to the profit with the goal of minimizing the payment of corporate taxes. These results confirm the positive accounting theory proposed by Watts and Zimmerman (1978). The results of this study also confirmed by Derashid and Zhang (2003), which showed a negative relationship between firm size and effective tax rate in Malaysia.

But research conducted by Roubi et al. (1998) shows the size of the company does not effect on earnings management performed by the company in Singapore and Canada in one year before the application of withholding tax rates. So, Roubi, et al. (1998) shows the size of the company does not give effect to the company in deciding to make profit management or not. Another study conducted by Bachek, et al. (2012) using a sample of a Malaysian company to confirm the results Roubi et al. (1998). Company size does not affect the policy of the company in Malaysia to manage earnings in the period of tax exemption (tax holidays). These results are also consistent with the results of research Adhikari, et al. (2005), which conducts research on the policy impact of firm size effective tax rate in Malaysia. K. Lin, et al. (2012) also found that company size has no effect on earnings management in China in the face of declining tax rates.

Leverage and Profit Management

Based on the theory of debt covenant hypothesis, companies are experiencing difficulties (high debt levels) tend to perform earnings management with the purpose of showing a higher profit than real profit. It aims to prevent companies from penalty because the value of debt is too high. Research conducted by Guenther (1994) confirmed this. There is a positive relationship between the levels of corporate debt to earnings management. The results of this study confirmed by B. Lin, et al. (2012) which shows the company in China with a high degree of leverage associated with high levels of discretionary accruals.

Roubi, et al. (1998) actually showed a negative correlation between the level of corporate debt to earnings management in order to minimize taxes in Canada, Malaysia and Singapore. These results do not confirm Guenther (1994) and B. Lin, et al. (2012). Research conducted by Van Tendeloo (2007) confirm Roubi et al. (1998) find a negative relationship between leverage and the level of discretionary accruals for tax purposes in the UK. While the research conducted by K. Lin, et al. (2012) using a sample of companies in China also found a negative relationship between leverage and earnings management. Research in Malaysia has also found negative results between leverage and earnings management (Adhikari, et al., 2005, 2006; Derashid and Zhang, 2003).

Research conducted by Bachek, et al. (2012) showed no leverage effect on earnings management in the face

of tax holidays in Malaysia. These results are consistent with the results of Armstrong et al. (2012) who also found no significant effect of leverage on earnings management in the United States.

Profitability and Earnings Management

Research conducted by Yin and Cheng (2004) showed that companies who have earnings tend to be aggressive to earnings management occurs when the applicable withholding tax rate. Companies that obtain profits are trying to minimize their tax by way of impairment profit. The decline in the value of profits can be done by managing costs and revenues. Fees will be recognized accelerated, while revenues will be delayed. So it is expected there will be a negative correlation between profitability and earnings management. This negative correlation was also found by Hanlon, Krishnan and Mills (2012) using a sample of companies in the United States.

However, Bachek, et al. (2012) found no effect of profitability on earnings management in Malaysia. However, previous studies conducted by Adhikari et al. (2005) and Derashid and Zhang (2005) actually show a negative value between profitability and earnings management. Companies in Malaysia earning management with the aim of degrading the value of earnings (income decreasing earnings management) if you have an advantage.

RESEARCH PURPOSES

The purpose of this study is as follows:

1. The empirical evidence shows that the corporate governance affect the motivation of earnings management due taxes
2. Shows empirical evidence that independent commissioner effect on earnings management resulting tax motivation
3. Demonstrate empirical evidence that the number of commissioners effect on earnings management resulting tax motivation
4. Show the empirical evidence that the number of positions held commissioners effect on earnings management resulting tax motivation
5. Shows empirical evidence that institutional ownership effect on earnings management resulting tax motivation

RESEARCH METHODOLOGY

Research samples

The population of this research is companies listed on the Indonesia Stock Exchange. Furthermore, the company will have the research samples with the following criteria:

1. The non-financial company listed in Indonesia Stock Exchange for the period 2007-2010
2. The Company has a financial year ending on December 31
3. The Company does not undertake mergers and acquisitions
4. The financial statements are available in full for the period 2007-2010

Data on the financial statements and annual reports obtained from the internet and BEI in Universitas Sebelas Maret and the Indonesia Stock Exchange in Jakarta.

Operational Definition of Variables

This section discusses the operational definition of the variables used in this study

1. Earnings management is measured using discretionary current accruals proposed by Guenther (1994). This method is widely used by other researchers, among others, such Balachandran et al. (2007), Roubi, et al. (1998) and Yin and Cheng (2004)

$$CACC_{it} / TA_{it-1} = S_i [\Delta SALES_{it} / TA_{it-1}] + v_{it} \quad (1)$$

yaitu:

$CACC_{it}$ = accrual

TA_{it-1} = Total assets of the previous year

$\Delta SALES_{it}$ = Change in sales

While the accrual calculation is as follows

$$CACC_{it} = (\Delta CA_{it} - \Delta Cash_{it}) - (\Delta CL_{it} - \Delta STD_{it} - \Delta ITP_{it}) \quad (2)$$

$CACC_{it}$ = accrual today;

ΔCA_{it} = Change in current assets

$\Delta Cash_{it}$ = Change in cash

ΔCL_{it} = Change in current liabilities

ΔSTD_{it} = Change in short-term debt

ΔITP_{it} = Change in income taxes paid

Calculation of discretionary current accruals is by subtracting the current accrual accrual with current expectations like this

$$DCA_{it} = CACC_{it} / TA_{it-1} - E[CACC_{it} / TA_{it-1}] \quad (3)$$

The expected value is obtained from the running equation 1 using cross sectional models. Having obtained the beta coefficient, the equation is run again to obtain the

expected value. The next model used is the discretionary current accruals using the model of Jones (1991).

$$CACC_{it} / TA_{it-1} = r_i / TA_{it-1} + s_i [\Delta SALES_{it} / TA_{it-1}] + v_{it} \quad (4)$$

$CACC_{it}$ = accrual

TA_{it-1} = Total assets of the previous year

$\Delta SALES_{it}$ = Change in sales

Furthermore, to obtain the discretionary current accruals is as follows

$$DCA_{it} = CACC_{it} / TA_{it-1} - E[CACC_{it} / TA_{it-1}] \quad (5)$$

Calculation of current expectations using the accrual method of cross-sectional Jones (1991).

2. Independent Commissioner is a percentage of the number of independent directors on the board
3. The size of the Board of Commissioners is the number of commissioners
4. The number of positions held by the commissioners represent the number of commissioners outside the company held by commissioners
5. Ownership of institutional ownership is the percentage of institutional investors
6. The size of the company measured by assets log.
7. Profitability measured by Return on Assets (ROA)

$$ROA_{10} = \frac{Laba_{10}}{Total\ asset_{10}} \quad (6a)$$

8. Debt ratio is measured by dividing the total debt to asset value

$$Debt_{10} = \frac{Hutang_{10}}{Total\ asse_{10}} \quad (6b)$$

The test statistics for the measurement of the factors that influence earnings management. Statistical testing using multiple regression test as follows.

$$DCA = + {}_1KInd + {}_2UDK + {}_3JJK + {}_2KIns + {}_5UP + {}_6Lev + ROA + e. \dots \quad (7)$$

DCA = current discretionary accruals

Kind = Independent Commissioner (measured by the percentage of independent directors on the board)

UDK = board size (measured by the number of commissioners)

JJK = the number of positions held commissioners (measured by the number of positions held by commissioners outside the company)

Kins = institutional ownership (as measured by the percentage of the company's shares by institutional investors)

UP = firm size (measured by total assets)

ROA = return on asset (the profitability of the company)

Lev = debt ratio (total debt / assets)

Furthermore, to measure the impact of the new rules will be tested as follows.

$$DCA = + {}_1KInd + {}_2UDK + {}_3JJK + {}_4KIns + {}_5UP + {}_6Lev + {}_7ROA + {}_8DKInd + {}_9DUDK + {}_{10}D\ JJK + {}_{11}D\ KIns + e. \dots \quad (8)$$

D = a dummy variable for measuring the impact of the implementation of Law No. 36/2008, the value of 1 if the year 2009 and 2010, and 0 if 2007, 2008

DATA ANALYSIS

Samples

The population of this research is companies listed on the Indonesia Stock Exchange. While the research samples are non-financial companies listed on the Indonesia Stock Exchange. The observation period is from 2007 to 2010. The number of companies that meet the requirements for the sample is 246 companies, while the number of observations is 4 years old. Thus the number of observations of this study is 246 companies X 4 years = 984-Year Company.

Descriptive statistics

The following section discusses the descriptive statistics for the study. DCA_IT = discretionary current accruals by using the method proposed by Guenther (1994), DCA_Jones = discretionary current accruals by using the method proposed by Jones (1991), Kind = Independent Commissioner (measured by the percentage of independent directors on the board), UDK = size commissioners (measured by the number of commissioners), JJK = the number of positions held commissioners (measured by the number of positions held by commissioners outside the company), kins = institutional ownership (as measured by the percentage of the company's shares by institutional investors), UP = firm size (measured by total assets), ROA = return on asset (the profitability of the company), Lev = debt ratio (total debt / assets)

Based on Table 1 it can be seen that the average earnings management by using the measurement methods Guenther (1994) and Jones (1991) resulted in positive values are 0.0036 and 0.0118. These results indicate that this sample did income increasing earnings management during the observation period. Sample

Table 1: Descriptive statistics.

	DCA_IT	DCA_JONES	L_UP	ROA	DEBT_TO	KIns	KInd	UDK	JJK
Mean	0.0036	0.0118	6.0131	4.8109	55.52951	13.2991	37.7207	4.2772	1.6430
Median	0.0045	0.0068	5.9710	3.0405	52.64547	0.0000	33.3300	4.0000	1.3333
Maximum	8.0938	8.5482	8.1390	263.1563	495.8680	92.6600	100.0000	12.0000	8.6666
Minimum	-7.5071	-8.4576	3.0174	-168.4852	0.40188	0.0000	0.0000	1.0000	0.0000
Std. Dev.	0.5755	0.6941	0.7191	19.51401	39.34961	20.9085	14.5300	1.9015	1.4408

company earning management with the aim to increase its profit. The average yield earnings management is in line with the median value (median observation) which also shows the value of earnings management by using Guenther (1994) and Jones (1991) is a positive 0.0045 and 0.0068. Based on the category average and the median value it can be said that this sample did income increasing earnings management around the turn of the Tax Law. While the maximum value for earnings management is 8.0938 and a minimum value of -7.5071. This information shows the value of discretionary accruals is quite varied among companies into the sample, while the standard deviation is 0.5755.

From descriptive statistics it can be seen that the average value of profitability is 4.8109%, while the median value was 3.0405%. On average, companies that belong to the sample has a positive profitability. While the value of return on assets ranged between -168.4852% to 263.1563%. With the value of the standard deviation of 19.51401%. The next part is descriptive statistics leverage. The average value of leverage is equal to 55.52951%. It shows the average composition of the debt has slightly greater than the value of capital. The median value leverage also demonstrates the value that is not much different that is 52.6454%. Furthermore, leverage ranging from 0.40188 up to 495.8680%. This indicates a large enough range of values between the lowest and highest value.

From descriptive statistics can also be seen information regarding the independent variable. Institutional ownership (kins) has an average value of 13.2991%. While the median value of 0%. Thus, the average corporate ownership structure of the sample in this study is owned by institutions amounted to 13.2991%. While the minimum value of institutional ownership is at 0% to a maximum of 92.660%. The standard deviation of institutional ownership amounted to 20.9085%.

Table 1 also shows the average independent commissioner of 37.7207%. This value has complied with the Stock Exchange, which requires a minimum number of independent directors as much as 30%. While the independent directors median is 33.33%, or one of three commissioners on the company that a sample of this research is an independent commissioner. While the proportion of independent commissioners next ranged from 0% to 100% with a standard deviation of 14.53%. Indonesia board size in an average of 4 people. This is indicated by the average value of 4.2772% and the

median value as much as 4. This shows the size of the board of directors at the company that a sample of this research is as many as four people. While the board size is the smallest one and the largest board size is 12 with a standard deviation value of 1.9015. The next part is the number of positions held by members of the board of commissioners. Table 1 shows that the average commissioners 1.6430 hold positions outside the company. While the middle value is 1.3333. So board members holding at least 1 position outside the company. The number of positions outside the company held by commissioners ranged from 0 up to 8.666 with a standard deviation of 1.4408.

Correlation

This section discusses the correlation between the variables examined in this study DCA_IT = discretionary current accruals by using the method proposed by Guenther (1994), Kind = Independent Commissioner (measured by the percentage of independent directors on the board), UDK = board size (measured by the number of commissioners), JJK = number of positions held commissioner (measured by the number of positions held by commissioners outside the company), kins = institutional ownership (as measured by the percentage of the company's shares by institutional investors), UP = firm size (measured by total assets), ROA = return on asset (the profitability of the company), Lev = debt ratio (total debt / assets). Figures on the top are the number of correlation, while the numbers at the bottom is the probability.

Based on Table 2 can be seen the correlation between variables in this study. Earnings management and tax period dummy variables showed no significant correlation. It can be seen from the probability of correlation above 10%. While the correlation of earnings management with institutional ownership (kins) also did not show a significant figure. Table 2 shows that the period of turnover tax law regulations and institutional ownership is not significantly correlated with earnings management.

Further independent commissioner (Kind) and earnings management also did not have a significant relationship. It also occurs in the relationship between board size and earnings management and the number of commissioners and earnings management. Thus all the independent variables in this study did not have a significant correlation with earnings management. Table 2 also

Table 2: Correlation.

	DCA_IT	UP	ROA	Leverage	DP	KIns	KInd	UDK	JJK
DCA_IT	1.0000								

UP	0.0301	1.0000							
	0.4332	-----							
ROA	0.0281	0.1031	1.0000						
	0.4646	0.0072	-----						
Lev	-0.0434	-0.1688	-0.0717	1.0000					
	0.2582	0.0000	0.0618	-----					
DP	0.0359	0.0579	0.0555	-0.0448	1.0000				
	0.3497	0.1315	0.1484	0.2435	-----				
KIns	-0.0339	-0.2194	-0.0469	0.0753	-0.0026	1.0000			
	0.3779	0.0000	0.2225	0.0499	0.9460	-----			
Kind	-0.0181	0.0075	0.0056	0.1012	0.0098	0.0604	1.0000		
	0.6368	0.8439	0.8823	0.0083	0.7971	0.1160	-----		
UDK	0.0219	0.5179	0.0950	-0.1142	-0.0224	-0.2327	-0.0388	1.0000	
	0.5676	0.0000	0.0133	0.0029	0.5599	0.0000	0.3122	-----	
JJK	-0.0271	0.1176	0.0253	-0.0442	-0.0030	-0.1677	-0.0419	0.1699	1.0000
	0.4799	0.0021	0.5100	0.2496	0.9359	0.0000	0.2757	0.0000	-----

shows the relationship between earnings management and control variables. All control variables that include ROA, leverage and total assets have no significant relationship with earnings management. All probability the relationship between variable control and earnings management is greater than 10%. So earnings management does not have a significant correlation with the variable control.

Based on information from Table 2 also shows that the period of regulatory change Tax Law does not correlate with other independent variables were significant. So there is no significant relationship between changes in tax laws with the proportion of independent directors, the number of commissioners, board size and institutional ownership. There was significant correlation between the control variables and ROA total assets, total assets and leverage, total assets and institutional ownership, total assets and board size and total assets and the number of positions held by members of the board of commissioners. This shows the size of the company is closely linked to corporate governance variables. Furthermore, ROA and board size are closely related significantly. This shows the level of profit has a strong correlation with the size of the board of commissioners. Leverage also showed a significant correlation with the independent commissioners, and leverage is also closely related to the proportion of commissioners. Furthermore, leverage is also closely related to the size of the board of commissioners.

Hypothesis testing

This section will discuss the results of testing the hypothesis for this study. The dependent variable in this research is earnings management around the turn of the rules Tax Law in 2008. While the independent variables

are the corporate governance mechanisms include institutional ownership (kins), the proportion of independent directors (Kind), board size (UDK) and the number positions held by the board of commissioners (JJK). While the control variable is the leverage, total assets (UP) and profitability (ROA). The following table will show the results of hypothesis testing.

DCA_IT = discretionary current accruals using the method proposed by Guenther (1994), DCA_Jones = discretionary current accruals using the method proposed by Jones (1991), DP = dummy variable for measuring the impact of the application of Law No. 36/2008, the value of 1 if the year 2009 and 2010, and 0 if 2007, 2008, Kind = Independent Commissioner (measured by the percentage of independent directors on the board), UDK = board size (measured by the number of commissioners), JJK = the number of positions held by commissioners (measured by the number of positions held by commissioners outside the company), kins = institutional ownership (as measured by the percentage of the company's shares by institutional investors), UP = firm size (measured by total assets), ROA = return on assets (the profitability of the company), Lev = debt ratio (total debt / assets)

*, **, *** Significant at the 10%, 5% and 1%.

Based on Table 3 can be seen that changes in legislation regarding taxation has no effect on earnings management are calculated using methods developed by Guenther (1994). This indicates that the manager did not use the opportunity around change of legislation regarding taxes on earning management. However, subsequent testing using earnings management is computed using Jones (1991) showed different results. There is a positive effect of tax law changes on earnings

Table 3: Test results statistics.

	DCA_IT	DCA_JONES
C	-2.5067*** (0.0000)	-2.5410*** (0.0002)
UP	0.2559*** (0.0006)	0.2424*** (0.0059)
ROA	0.0007* (0.0807)	0.0010** (0.0459)
Lev (DEPT_TO)	0.0012* (0.0616)	0.0018** (0.0306)
DP	0.0368 (0.2023)	0.0818* (0.0633)
KIns	-0.0018 (0.3267)	-0.0006 (0.4456)
Kind	0.0060* (0.0530)	0.0060* (0.0913)
UDK	0.1585*** (0.0002)	0.1373*** (0.0051)
JJK	-0.0001 (0.4987)	0.0849* (0.0671)
F-value	1.1091	1.0909
F-prob	(0.1921)	(0.2317)
Adj R2	0.0281	0.0236

management around the turn of the year. This suggests that managers use the opportunity around the turn of the Law on Taxation to undertake earnings management. The results of a second test using the method of earnings management by Jones (1991) confirmed Ronen and Yaari (2008) who found the manager earning management around the turn of the tax bill.

The different results by using a different calculation method showed that this result is not robust, is still influenced by earnings management measurement methods used in the study. Based on the second test management in Indonesia take advantage of opportunities around the turn of the Tax Law to conduct earnings management. If using the test the second, then this study are consistent with previous studies conducted abroad that show menajer earning management by way of transfer of profits of the period with high tax rates to low tax rate (Balachandran, et al., 2007; Boynton, et al., 1992; Dharmapala and Riedel, 2013; Guenther, 1994; Marques, et al., 2011; Monem, 2003; Roubi and Richardson, 1998; Yin and Cheng, 2004); earning management with the aim of tax evasion (Desai and Dharmapala 2006, 2009; Huseynov and Klamm, 2012; Taylor and Richardson, 2012); or by utilizing the tax exemptions granted by the government (Bachek, Ahmad, and Saleh, 2012; Hashim, et al., 2012; K. Z. Lin, 2006).

From Table 3 we can also see the impact of institutional ownership on earnings management around the turn of the Tax Law No. 36/2008. The test results of column 1 show that institutional ownership has no effect on earnings management around the turn of the Tax Law.

It can be seen on a probability value of 32.67%. This value is much greater than the limit of 10%. So this test was unable to confirm the impact of institutional ownership on earnings management around the implementation of the Tax Law No. 36/2008. The next test using the method of earnings management by Jones (1991) also showed results consistent with the results of research on earnings management is based on a method developed by Guenther (1994). Institutional ownership has no effect on earnings management around the turn of the Tax Law No. 36/2008.

Results of testing the hypothetical impact of institutional ownership on earnings management around the implementation of the Tax Law No. 36/2008 show that institutional ownership has no effect on earnings management. These results do not confirm previous studies showing a positive effect of institutional ownership on earnings management as shown by Bradbury e al. (2006) and Chen et al. (2010). In addition, this study did not confirm the study García-Meca and Sánchez-Ballesta (2009) and Sarkar, et al. (2008) showed the existence of institutional ownership is able to give a negative impact on earnings management. This study shows that institutional ownership in Indonesia does not have an impact, either positive or negative, on earnings management. These results are consistent with the use of the method of calculating the earnings management based on methods developed by Guenther (1984) and Jones (1991). This study therefore confirmed a previous study conducted by Siregar and Main (2008), which also found institutional ownership in Indonesia no

significant effect on earnings management. The study also confirmed research conducted by Lim et al. (2014) which found no impact significantly the institutional ownership on earnings management. Table 3 also shows the results of testing proportion of independent commissioner's hypothetical impact on earnings management around the implementation of Law No. 36/2008. The test results in column 1, which uses the measurement of earnings management with the method developed by Guenther (1984), showed a positive influence. It is seen from the probability value of 5.30%. It can be said that the independent commissioner positive effect on earnings management with a 90% confidence level. These results are consistent at the time of testing the impact of independent directors on earnings management using profit management as measured by the method of Jones (1991). Testing in column 2 also shows independent commissioner positive effect on earnings management at 10% confidence level.

These test results show independent commissioner would encourage management to manage earnings. These results do not correspond with the hope that an independent commissioner to act as watchdogs, which means encouraging managers presenting the financial statements are more qualified. Of course, these results do not correspond with the expectations of parties who want an independent commissioner regulator active role in the board of directors. The results of the study are not in line with previous studies such as Firth et al. (2011), Nasution and Setiawan (2007) and Siagian and Tresnaningsih (2011), which shows independent commissioners negatively affect earnings management or research Lanis and Richardson (2011) and Richardson et al. (2013) which showed an independent commissioner reduce the aggressiveness of the company in earnings management.

These results indicate that the selection of independent directors in Indonesia leads to the fulfillment of the demands of the regulations on independent directors, but not touching aspects of the substance. In accordance with the regulations that at least 30% commissioner is independent, companies in Indonesia meet these regulations. However, there is a big question mark regarding its independence. Thus, the independent commissioner in Indonesia fulfills the independence in appearance (independence in appearance) but not independent in reality (independence in fact). The results of this study confirm the opinion of Tabalujan (2002a, b), which states independent commissioners in Indonesia is less effective in performing their duties. This is because the owners of companies in Indonesia selecting independent commissioners they are familiar. So, independent commissioners in Indonesia are not flexible in oversight.

The results also confirm the results of research Prabowo and Simpson (2011), which shows that independent commissioners in Indonesia is less effective

in performing their duties. Independent commissioners in Indonesia no positive effect on the company's performance. Thus, less independent commissioner give added value to the company.

Based on Table 3 can also be seen the impact of board size to earnings management around changes in taxation laws. Tests using earnings management by using Guether (1994) shows the probability value 0.0002. Thus, it can be concluded that the size of the board of commissioners positive effect on earnings management. These results indicate that the number of board members who bring less oversight process becomes ineffective. Or in other words, a small board size to have a better performance in overseeing the company. The results are consistent with research on earnings management by using the size of Jones (1991). Results of the second column indicates that the positive effect board size, with a 99% confidence level, the earnings management as measured by using the method of Jones (1991). Thus, a second test using different measurement of earnings management: Guenther (1994) and Jones (1991) showed consistent results, the board size has positive influence on earnings management. The more commissioners, the higher the earnings management in the company.

The results are consistent with research conducted by Garcia-Mecha and Sanchez-Ballesta (2009) showed that the number of commissioners were small effective in reducing earnings management. The fewer commissioners, the better the performance of the board of commissioners. However, these results are not in line with the research Bradbury et al. (2006), which indicates the greater the size of the board of commissioners, the more effective the commissioners. Furthermore, this study also inconsistent with research Kasipillai and Mahenthiran (2013) who did not manage to find the impact of board size to earnings management.

Furthermore, the results show the impact of the number of positions commissioners to earnings management around the turn of the Tax Law. In the first column of figures showed a probability of 49.87%. This figure is greater than 10%. Therefore, this study using earnings management is based on a method developed by Guenther (1994) found no significant impact on the number of positions in the company held by commissioners. However, testing by using Jones (1991) in the measurement of earnings management showed different results. Table 3 shows that the number of positions held by members of the board of commissioner's positive effect on earnings management. The more positions held, the higher the earnings management in the company. These results indicate that the more positions held monitoring function decreases. These results show the importance of a rule that limit commissioners hold many positions outside.

The results of this study confirm that the number of commissioners positive effect on earnings management in line with research-Chia Peng, Hong and Feng (2013)

and Sharma and Isselin (2012). The more positions held it resulted commissioners are too busy at work, so they do not have sufficient time to carry out the supervisory function well. The results of this study are not consistent with research Masulis and Mobbs (2013a, 2013b) and Sharma and Kuang (2013) Yag find the positive influence the number of positions held by board members and the company's value. Thus, the results of this study confirm the theory bustle effect commissioner as proposed by Fich and Shivdasani (2006).

CONCLUSION

The conclusion of the study focused on the effect of corporate governance mechanism to earnings management around the turn of the Tax Law No. 36/2008. Corporate governance mechanism is tested institutional ownership, board size, the proportion of independent directors and the number of positions held by members of the board of commissioners. While the dependent variable is measured by the earnings management method developed by Guenther (1994) and Jones (1991).

The results of this study indicate that the independent directors have a positive effect on earnings management. These results indicate that the monitoring function independent commissioner is not going well, so the existence of numerous independent commissioners will only increase earnings management. This result is also not in line with the expectations of regulators regarding the function of independent directors. This study also shows that a good board size is a smaller size. Small board size will increase coordination among members, so it will be faster in decision making. It also will improve the performance of the board of commissioners in conducting surveillance. In addition, the results of this study showed no significant effect of institutional ownership in the management of business conduct earnings management. These results show that institutional ownership does not provide added value in conducting oversight of management. This result is also not in line with previous studies that found that institutional ownership can influence positively (Bradbury e al., 2006; Chen et al, 2010) or institutional ownership negatively affect earnings management (García-Meca and Sánchez-Ballesta, 2009; Sarkar, et al., 2008). In addition, this study also confirms the bustle effect commissioners. The more positions are held, the more hectic commissioners. This resulted in a weaker monitoring function.

This Study Also Showed that managers do earnings management around the turn of the Tax Act, or in this context is the application of Law No. 36/2008. Determination of a new rate calculation method provides an opportunity for management to manage earnings. They could move the company's earnings from period to period have high tariffs that have lower tax rates. It shows the management takes this opportunity.

Research implications

Based on these results it is important implication is the commissioners who hold many positions will result in the regulatory process to be reduced. So, the researchers suggest limiting the number of positions that may be held by members of the board of commissioners. The more positions held by commissioners, the higher the earnings management occurs.

In addition, the need for an evaluation of an independent commissioner. The results of this study indicate that companies tend only to comply with rules regarding the number of independent director proportion of the substance.

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APPENDIX
TEST RESULTS STATISTICS
STATISTIK DESKRIPTIF

	DCA_IT	DCA_JONES	LOG01	ROA	DEBT_TO	DUMMY	IO	IC	NOFCOMM	MC
Mean	0.003650	0.011889	6.013185	4.810964	55.52951	0.497050	13.29915	37.72071	4.277286	1.643017
Median	0.004509	0.006868	5.971068	3.040552	52.64547	0.000000	0.000000	33.33000	4.000000	1.333333
Maximum	8.093829	8.548207	8.139093	263.1563	495.8680	1.000000	92.66000	100.0000	12.00000	8.666667
Minimum	-7.507132	-8.457699	3.017451	-168.4852	0.401886	0.000000	0.000000	0.000000	1.000000	0.000000
Std. Dev.	0.575526	0.694128	0.719109	19.51401	39.34961	0.500360	20.90852	14.53005	1.901515	1.440865
Skewness	0.347249	-0.336355	-0.003144	3.745869	4.203171	0.011800	1.893395	0.071132	1.299713	1.583687
Kurtosis	114.3671	83.39548	3.441469	67.90287	35.92369	1.000139	5.981128	5.955428	4.694084	6.639344
Jarque-Bera	350388.2	182604.8	5.506899	120585.4	32618.47	113.0000	656.1599	247.3229	271.9610	657.5776
Probability	0.000000	0.000000	0.063708	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Sum	2.474491	8.060608	4076.940	3261.834	37649.01	337.0000	9016.823	25574.64	2900.000	1113.966
Sum Sq.										
Dev.	224.2428	326.1880	350.0885	257799.2	1048261.	169.4941	295961.4	142929.7	2447.870	1405.515
Observations	678	678	678	678	678	678	678	678	678	678

DCAit = LOG_TA + ROA + DEBT + DUMMY + IO + IC + NOF_COMM + MC

UJI CHOW

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.137700	(173,501)	0.1436
Cross-section Chi-square	226.317586	173	0.0040

UJI HAUSMAN

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	31.202996	8	0.0001

FIXED EFFECT MODEL

Dependent Variable: DCA_IT
 Method: Panel Least Squares
 Date: 10/15/15 Time: 08:23
 Sample: 2007 2010
 Periods included: 4
 Cross-sections included: 174
 Total panel (unbalanced) observations: 683

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.506755	0.561862	-4.461512	0.0000
LOG01	0.255905	0.079345	3.225218	0.0013
ROA	0.000750	0.000535	1.402615	0.1614
DEBT_TO	0.001290	0.000835	1.543777	0.1233
DUMMY	0.036816	0.044147	0.833940	0.4047
IO	-0.001884	0.004194	-0.449149	0.6535
IC	0.006031	0.003726	1.618809	0.1061
NOFCOMM	0.158593	0.044069	3.598765	0.0004
MC	-0.000145	0.046791	-0.003098	0.9975

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.286079	Mean dependent var	0.003739
Adjusted R-squared	0.028156	S.D. dependent var	0.573673
S.E. of regression	0.565540	Akaike info criterion	1.920981
Sum squared resid	160.2374	Schwarz criterion	3.127163
Log likelihood	-474.0152	Hannan-Quinn criter.	2.387770
F-statistic	1.109164	Durbin-Watson stat	3.029545
Prob(F-statistic)	0.192149		

$$DCA_JONES = LOG_TA + ROA + DEBT + DUMMY + IO + IC + NOF_COMM + MC$$

UJI CHOW

Redundant Fixed Effects Tests
 Equation: Untitled
 Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.097032	(173,500)	0.2214
Cross-section Chi-square	219.449871	173	0.0097

UJI HAUSMAN

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	22.578703	8	0.0039

FIXED EFFECT MODEL

Dependent Variable: DCA_JONES

Method: Panel Least Squares

Date: 10/13/15 Time: 08:30

Sample: 2007 2010

Periods included: 4

Cross-sections included: 174

Total panel (unbalanced) observations: 682

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.541027	0.680470	-3.734222	0.0002
LOG01	0.242477	0.096078	2.523741	0.0119
ROA	0.001094	0.000648	1.689247	0.0918
DEBT_TO	0.001897	0.001011	1.875999	0.0612
DUMMY	0.081871	0.053515	1.529885	0.1267
IO	-0.000695	0.005078	-0.136891	0.8912
IC	0.006021	0.004513	1.334298	0.1827
NOFCOMM	0.137389	0.053368	2.574354	0.0103
MC	0.084997	0.056656	1.500227	0.1342

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.283120	Mean dependent var	0.012187
Adjusted R-squared	0.023610	S.D. dependent var	0.693006
S.E. of regression	0.684776	Akaike info criterion	2.303852
Sum squared resid	234.4590	Schwarz criterion	3.511412
Log likelihood	-603.6137	Hannan-Quinn criter.	2.771206
F-statistic	1.090979	Durbin-Watson stat	3.028915
Prob(F-statistic)	0.231737		