

EFFECT OF AQ, AO, CA, AND CS ON COMPANY VALUE WITH PROFIT MANAGEMENT AS INTERVENING VARIABLES

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Abstract

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Background : Financial reports are a communication medium used to connect interested parties to the company. But in reality financial statements are often misused in earnings management practices. The management engineered the financial statements so as to provide misleading information for decision makers
Method : This research design is descriptive quantitative. The population in this study is a publicly listed manufacturing company on the Indonesia Stock Exchange (IDX) from 2018 -2020. The manufacturing company was listed on the IDX before January 1, 2009 and during that period it did not leave the IDX or was delisted.
Result : The results of the partial hypothesis testing research have tcount 1.081 and ttable 1.65936, so tcount < ttable (1.081 < 1.65936) and a significant level of 280 > 0.05, which means that the earnings management variable has no effect and is not significant on firm value. Where the results of the partial test (T test) show that earnings management has no negative effect on firm value until the fifth hypothesis does not support.
Conclusion : The audit quality variable has no effect and is partially significant on earnings management.

Keyword ; Audit Quality, Audit Opinion, Company Age, Company Size

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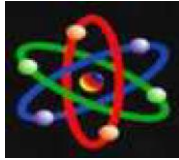
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INTRODUCTION

Company managers or financial statement makers perform earnings management for personal and organizational interests. This is what makes companies need the services of a public accountant (hereinafter referred to as an auditor). An auditor provides audit services on a client's financial statements to provide assurance to users of financial statements that the financial statements have been prepared in accordance with financial accounting standards so that the financial statements can be relied on in decision making. Decision makers of course expect the best audit results so that they can make them believe in the decisions they have to take. Earnings management has a goal to improve the welfare of certain parties (agents) even though in the long term there is no difference between the company's cumulative profit and profit that can be identified as an advantage (Darwis, 2012).

Earnings management can reduce the credibility of financial statements when used for decision making, because earnings management is a form of manipulation of financial statements that is the target of communication between managers and external parties of the company (Lestari and Pamudji, 2013).

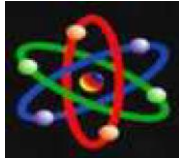
The following is one of the latest Corruption Cases that occurred in PT Garuda Indonesia which suffered a very high loss of Rp. 15 trillion. The year 2020 is arguably a bleak year for PT Garuda Indonesia Tbk (GIAA). The state-owned airline had to bear heavy losses in the third quarter of 2020. This case gives an indication of a decline in

audit quality. Garuda's finances have been bleeding since the beginning of the pandemic due to the drop in the number of passengers. In the third quarter of 2020, this state-owned airline could only reveal revenues of 1.14 billion US dollars, or a decline of 67.79 percent from the same period in the previous year. (Kompas.com 2020)

Reporting from Kontan, Saturday (11/7/2020), based on the financial report released Thursday, November 5, 2020, Garuda Indonesia recorded revenue from scheduled flights worth 917.29 million US dollars, and other revenues contributed 174.56 million US dollars. . In the midst of declining revenues, PT Garuda Indonesia also had to bear operating expenses worth US\$2.44 billion or 25.61 percent less than the same period in 2019. PT Garuda Indonesia earned a foreign exchange gain of US\$83.35 million, whereas in the first quarter III-2019 GIAA recorded an exchange loss of US\$13.91 million. At the same time financial income was recorded at 43.89 billion US dollars, an increase from the same period last year 4.98 million US dollars. Thus, PT Garuda Indonesia posted a loss for the current period attributable to owners of the parent company of US\$1.07 billion (Kompas.com 2020). PT Garuda Indonesia's profit is high and the chances of corruption are also high. Now, because PT Garuda Indonesia is one of the largest companies in Indonesia, the auditors cannot maintain their independence and allow violations that occur at the Garuda company.

The Ministry of State-Owned Enterprises said that one of the causes of





PT Garuda Indonesia's loss was the plane price agreement from the lessor company. Moreover, according to the Deputy Minister of BUMN Kartika Wirjoatmodjo, PT Garuda Indonesia also rented too many planes but it was not balanced with sufficient passenger occupancy. Quoted from Mind-People.com from AA, Kartika explained that one of the reasons why PT Garuda Indonesia almost went bankrupt was the high cost of renting a plane. There are too many planes owned by Garuda Indonesia, so the rental costs have also skyrocketed. (Kompas.com June 2020)

In this case, HS is being investigated as a suspect in alleged bribery, investigators continue to explore the dominant role involved in the procurement of engines and aircraft at PT Garuda Indonesia (Persero) Tbk and the alleged receipt of a sum of money and its use from the implementation of the project (Ali, 28 December 2020). Hadinoto will be detained at the Jaya Guntur branch of the KPK Detention Center. The first 20 days from 4 December to 23 December 2020 because, the third suspect in the Garuda bribery case (Ali Fikri December 2020). From the case above, it can be seen that PT Garuda Indonesia is very concerned. Here the auditor plays a less role, resulting in high losses, and bribery in the procurement of aircraft engines and money laundering crimes. The KPK has determined that Hadinoto was a suspect in August 2020

However, the case of financial scandals that occurred provides evidence that it is not always the calculation of audit quality with the classification between big four auditors and non-big

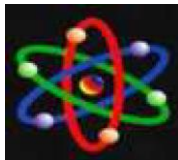
four auditors that provides a measure of the incidence of financial statement manipulation. Research conducted by Yamaguchi et al. (2013), Angelia (2012) gives the result that audit quality has no effect on earnings management. Meanwhile, Maya Indriastuti (2012) in her research states that audit quality has an effect on earnings management. This is because BIG4 is more competent and professional than non BIG4 auditors so that he has more knowledge about how to detect and manipulate financial statements as well as perform earnings management actions.

In conducting the audit, auditors receive audit fees in return for the professional services they provide to the company. Audit fees can be defined as the amount of fees (wages) charged by the auditor for the audit process carried out for a company (client), the determination of audit fees is based on a contract between the auditor and owner. The sample is part of the number and characteristics possessed by the population. When the population is large, and research is not possible to study everything in the population.

METHODS

This research design is descriptive quantitative. According to Sugiyono (2016) descriptive statistics are statistics used to analyze data and how to describe or describe the data that has been collected as it is without intending to make conclusions that apply to the public or generalizations. Sampling companies in this study using purposive sampling technique. The manufacturing company was listed on the IDX before





January 1, 2009 and during that period it did not leave the IDX or was delisted.

RESULTS AND DISCUSSION

Multiple linear analysis method was used to measure the effect of more than one predictor variable (independent variable) on the dependent variable. The formula for calculating multiple linear equations is as follows:

$$Y = + IX1 + 2X2 + 3X3 + 4X4 + 5Z + e1$$

$$Z = + BIX1 + 2X2 + 3X3 + 4X4 + e2$$

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	7.399	.519			14.266	.000
X1	.109	.439	.014		.248	.804
X2	.002	.001	.092		1.604	.110
X3	-6.427	2.503	-.147		-2.568	.011
X4	-.011	.012	-.053		-.930	.353

Table 1. Multiple linear analysis

Explanation of the results of the regression table above:

1. From the table above, the audit quality coefficient has a positive effect on earnings management of 0.109.
2. From the table above, the audit opinion coefficient has a positive effect on earnings management of 0.002.
3. From the table above, the coefficient of company age has a negative effect on earnings management by -6,427.
4. From the table above, the coefficient of company size has a negative effect on earnings management by -011.

The coefficient of determination (R2) is an indicator used to describe how much variation is described in the model. Based on the value of R2, it can be seen the level

of significance or the suitability of the relationship between the independent variable and the dependent variable in linear regression.

Model Summary ^b				
Model	R	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.572 ^a	.327	3.95057	2.205

a. Predictors: (Constant), M, X1, X4, X2, X3

b. Dependent Variable: Y

Table 2. Coefficient of Determination

Based on the data above, it can be seen that the R Square value is 0.327 or 32.7%. This means that the independent variable affects the dependent variable by 32.7%. The rest comes from other variables that are outside the model.

Multicollinearity Test and t Test

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta				Tolerance	VIF
1 (Constant)	28.681	.758			37.859	.000		
X1	-4.056	.494	-.396		-8.219	.000	.987	1.013
X2	-.002	.001	-.099		-2.052	.041	.984	1.016
X3	-11.772	2.844	-.201		-4.140	.000	.972	1.029
X4	-.089	.013	-.329		-6.839	.000	.990	1.010
M	.071	.065	.053		1.081	.280	.966	1.035

a. Dependent Variable: Y

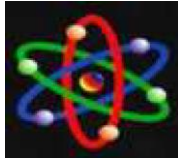
Table 3. T-Test

Based on the data above, it can be seen that the Tolerance value is above 0.1 and the VIF is below 10, so it is said that the data is free from multicollinearity symptoms.

Based on the data above, it can be seen that:

1. The value of Sig on X1, X2, X3, X4 is less than 0.05, which means that this variable has an effect on variable Y.
2. The value of Sig on M is more than 0.05, which means that this variable has no effect on the Stock Return variable.





From the data above, it can be concluded:

1. X1: $t \text{ count} < t \text{ table}$, namely $-8.219 < 1.65936$ and $\text{sig } 000 < 0.05$, which means that the audit quality variable has no impact and no sig on earnings management in manufacturing companies listed on the IDX.

2. X2: $t \text{ count} < t \text{ table}$, namely $-2.052 < 1.65936$ and $\text{sig value } 0.41 > 0.05$, which means that the audit opinion variable has an impact and sig on earnings management in manufacturing companies listed on the IDX.

3. X3 : $t \text{ count} < t \text{ table}$, namely $-4.140 < 1.65936$ and $\text{sig value } 000 < 0.05$, which means that the variable age of the company has no impact and no sig on earnings management in manufacturing companies listed on the IDX.

4. X4 : $t \text{ count} < t \text{ table}$, ie $-6,839 < 1.65936$ and $\text{sig } 000 < 0.05$, which means that the firm size variable has no impact and no sig on earnings management in manufacturing companies listed on the IDX.

F-Test (Simultan)

		ANOVA ^a				
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2226.674	5	445.335	28.534	.000 ^b
	Residual	4588.451	294	15.607		
	Total	6815.125	299			

a. Dependent Variable: Y

b. Predictors: (Constant), M₁, X1, X4, X2, X3

Table 4. F-Test

Based on the data above, it can be seen that the Sig value in the ANOVA table is less than 0.05. This means that the research model is accepted and the independent variables together affect the dependent variable

From the data above, it can be concluded:

1. X1 : $f \text{ count} < f$ which is $28,534 > 2.30$ and $\text{sig value } 0.000 < 0.05$, which means that the audit quality variable has an impact and sig on earnings management in manufacturing companies listed on the IDX.

2. X2: $f \text{ count} < f$ which is $28,534 > 2.30$ and $\text{sig value } 0.000 < 0.05$, which means that the audit opinion variable has an impact and sig on earnings management in manufacturing companies listed on the IDX.

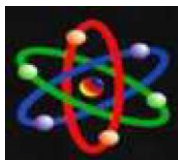
3. X3 : $f \text{ count} < f$ which is $28,534 > 2.30$ and $\text{sig value } 0.000 < 0.05$, which means that the variable age of the company has an impact and sig on earnings management in manufacturing companies listed on the IDX.

4. X4 : $f \text{ count} < f$ which is $28,534 > 2.30$ and $\text{sig value } 0.000 < 0.05$, which means that the variable company size has an impact and sig on earnings management in manufacturing companies listed on the IDX.

Discussion of Research Results

From the results of the partial hypothesis testing research, it has tcount -8.219 and ttable 1.65936, so $t \text{ count} < t \text{ table}$ ($-8.219 < 1.65936$) and a significant level of $0.000 < 0.05$ which means that the audit quality variable has no effect and is significant on earnings management. The results of the partial (T test) show that audit quality has a negative impact on earnings management until the first hypothesis does not support. These results indicate that audit quality is not a factor in earnings management in manufacturing companies. This can





explain that how small and how big the age of the company is not able to guarantee that it can prevent earnings management from happening. These results support research from Pasilongi, Nazar, and Aminah (2018) explaining that audit quality has a significant influence on earnings management in a negative direction, because this shows that the greater the audit quality, the smaller the company's tendency to perform earnings management (income management). increasing) or increasing company profits. Based on the comparison of the results above, we can conclude that the effect of audit quality has a negative effect on earnings management.

The results of the partial hypothesis testing research have $t_{count} -2.052$ and $t_{table} 1.65936$, so $t_{count} < t_{table} (-2.052 < 1.65936)$ and a significant level of $0.41 > 0.05$, which means that the audit opinion variable has no effect and is not significant for earnings management. Where the partial results (T test) show that the audit opinion has no effect on earnings management until the second hypothesis does not support. The results of this show that audit opinion is not a factor for earnings management in manufacturing companies. These results support the research of Dina Eka Wijayanti, and Ni Nyoman Alit Triani (2020) stating that audit opinion has no effect on earnings management. In theory, the better the opinion received, the lower the level of earnings management that occurs. Based on the results of the comparison above, it can be explained that the audit opinion has no influence and is not significant on earnings management.

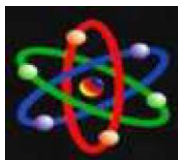
The results of the partial test have $t_{count} -4.140$ and $t_{table} 1.65936$ to $t_{count} < t_{table} (-4.140 < 1.65936)$ and a significant level of $0.000 < 0.05$, which means the firm age variable has no effect and is significant for earnings management. Where the partial results (T test) show that the age of the company has a negative impact on earnings management until the third hypothesis does not support. The results of the partial hypothesis testing research have $t_{count} -6,839$ and $t_{table} 1,65936$, so $t_{count} < t_{table} (-6.839 < 1.65936)$ and a significant level of $0.000 < 0.05$, which means that the firm size variable has no effect and is significant on earnings management. Where the results of the partial test (T test) show that company size has no effect on earnings management, so the fourth hypothesis does not support. This explains that firm size is not a factor in earnings management in manufacturing firms.

The results of the partial hypothesis testing research have $t_{count} 1.081$ and $t_{table} 1.65936$, so $t_{count} < t_{table} (1.081 < 1.65936)$ and a significant level of $0.280 > 0.05$, which means that the earnings management variable has no effect and is not significant on firm value. Where the results of the partial test (T test) show that earnings management has no negative effect on firm value until the fifth hypothesis does not support. These results indicate that earnings management is not a factor on firm value.

CONCLUSION

1. The audit quality variable has no partial and significant effect on earnings management for manufacturing companies listed on the 2018-2020 BEI





2. The audit opinion variable has no effect and is not significant on earnings management partially for manufacturing companies listed on the 2018-2020 BEI

3. The variable age of the company does not have a significant and partial effect on earnings management for manufacturing companies listed on the 2018-2020 BEI

4. The company size variable does not have a partial and significant effect on earnings management for manufacturing companies listed on the 2018-2020 BEI

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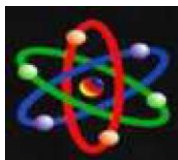
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