

Gilbert Rely 28 Feb_2

by Gilbert Rely

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THE EFFECT OF COMPANY SIZE AND LEVERAGE ON PROFIT MANAGEMENT WITH OWNERSHIP STRUCTURE AS A MODERATION

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ABSTRACT

This study aims to examine and analyze the effect of firm size and leverage on earnings management with ownership structure as moderating. The sample used in this study is 54 manufacturing companies listed on the Indonesia Stock Exchange for the 2015-2017 period. Testing is done using multiple regression analysis. The analytical tool used to measure hypotheses is SPSS 24.

The results of this study are (1) firm size has a positive and not significant effect on earnings management. (2) Leverage has a positive effect on earnings management. (3) Managerial ownership has a negative effect on earnings management. (4) Institutional ownership has a negative and insignificant effect on earnings management. (5) Managerial ownership strengthens the influence of firm size on earnings management. (6) Institutional ownership does not strengthen the influence of firm size on earnings management. (7) Managerial ownership weakens the influence of leverage on earnings management. (8) Institutional ownership weakens the influence of leverage on earnings management.

Keywords: firm size, leverage, earnings management, managerial ownership, institutional ownership

PRELIMINARY

The number of profit benefits for the company, namely as a basis for dividend distribution, the basis of compensation and bonuses for employees, the basis for determining the amount of tax to be paid, the basis for evaluating the company's prosperity is an indicator of the efficiency of corporate funds, as a management motivation for corporate control. For companies, profit is a goal of a company established. According to the statement of financial accounting concept (SFAC) No. 1, earnings information is the main concern for estimating management's performance or accountability. In addition, earnings information also helps users of financial statements in estimating the company's earnings power in the future. According to Hanafi (2010), states that profit is the overall measure of a company's performance, which is defined as follows: Profit = Sales - Cost. According to Hanafi and Halim (2007) defining company financial statements is one of the important sources of information in addition to industry information, economic conditions, the company's market share, the quality of other management. Thus, financial statements have an important meaning for users to assess companies and make financial economic decisions.

In the company's financial statements, profit is one of the important parameters in financial statements that are used to measure management performance. Profit is also important information for the company both for internal company and external parties. But earnings information is not always accurate, because sometimes earnings information becomes a target of manipulation through opportunistic management actions to meet satisfaction. Profits obtained by the company are also often the basis of decision making, where profits are measured on an accrual basis. This accrual basis has implications that the profit of a company is determined, among others, by the amount of accrual both discretionary and nondiscretionary. Using an accrual basis, transactions or other events are recognized when the transaction or other event occurs not when cash or cash equivalents are received or issued. Accrual elements can occur based on management policies (discretionary accruals) or (nondiscretionary accruals). Determination of discretionary accruals with the intention to increase or decrease profits is an action of earnings management.

In general, earnings management aims to increase or decrease reported profits from the unit to be his responsibility which does not have a relationship with the increase or decrease in the company's profitability for the long term. Therefore, actions taken by management can be interpreted as earnings management actions that affect reported earnings and provide false economic benefits to the company, so that in the long run it will disrupt and even endanger the company. According to Hidayat (2016) defining earnings management is an intervention that is intentionally carried out by management in the process of determining profit, and is usually carried out for personal purposes. One of the factors that influence earnings management is the size of the company. Company size is a level where the size of the company is clarified according to various ways. The size of the business is reviewed from the field of the company being run. Determination of the scale of the company can be determined based on total sales, total assets, average sales level (Seftianne and Handayani, 2011). Companies that are in high growth require greater organizational resources, and vice versa, company size is often associated with earnings management. Large companies have a high

suspicion of making earnings management. Because large companies must be able to meet the estimates of their investors.

Martusa & Jennie (2010), Companies must be able to face and win the competition, therefore the task of the company is not just to produce and market its products, but considering the size of the costs that will occur so that the costs are efficient and effective. Armando & Farahmita (2012), to increase profits managers of companies can produce more than necessary with the assumption that higher production levels will cause fixed costs per unit of product to be lower. This strategy can reduce the cost of goods sold and increase operating profit. This method is one way of manipulating real activities that are usually carried out by companies with poor performance so they don't have much accrual to manipulate. The only way is to manipulate the real activity especially to achieve profit slightly above zero. With the three ways above the company companies that are suspected of manipulating real activities will have an abnormal production cost that is greater than other companies

Leverage is a fund borrowed by the company (debt) used by the company to finance its assets in carrying out its operational activities. According to Sjahrial (2009), Leverage is the use of assets and sources of funds by companies that have fixed costs (fixed costs), meaning resources derived from loans because they have an interest expense as a fixed expense with the intention of increasing the potential profit of shareholders. Thus, the greater the debt of a company, the greater the company also asks to maximize profits or increase profits so that the company is not threatened with liquidation so as to encourage management to do earnings management. This research is a replication of the research of Astuti, Nuraina, Wijaya (2017) who tested leverage and size on earnings management. There is a difference between this research and the research:

1. Add ownership structure variables as moderating.
2. Using manufacturing samples, while in previous studies using banking samples.
3. Measurement of earnings management using real management.

Looking at the background of the above problems, the purpose of this study was to determine the effect of company size on earnings management. Knowing the effect of leverage on earnings management. Knowing the effect of managerial ownership on earnings management. Knowing the effect of institutional ownership on earnings management. Knowing the effect of company size on earnings management with ownership structure as measured by managerial ownership as a moderating variable. Knowing the effect of company size on earnings management with ownership structure as measured by institutional ownership as a moderating variable. Knowing the effect of leverage on earnings management with ownership structure as measured by managerial ownership as a moderating variable. Knowing the effect of leverage on earnings management with ownership structure as measured by institutional ownership as a moderating variable.

The benefits of this research can contribute to the development of theory, especially in the study of financial accounting regarding corporate governance, company size, leverage on earnings management. Can be used for information users (shareholders, internal and external stakeholders, managers, employees) to understand corporate governance mechanisms, company size, and leverage in making or giving a right and wise decision. As a study material to add to the literature and references in understanding topics regarding the influence of corporate governance, company size, and leverage on earnings management so that it can multiply knowledge in future research.

LITERATURE REVIEW

Agency Theory (Agency Theory)

In understanding corporate governance implementation, the agency perspective can be used as the rationale in this study. In his research Jensen and Meckling (1976) have developed agency theory. Agency theory is a relationship between the principal and the agent, where there is a relationship between the employment contract. In the employment contract, the principal is referred to as the owner and investor who gives an order to the agent, namely management to carry out the task according to the principal's wishes. According to this theory the relationship between principals and agents is created because of conflicting interests.

According to Smith (2011) in Fatmawati (2013) there are two kinds of conflicts of interest, namely:

1. Moral hazard

The agent's actions that are not ethical and are selfish in maximizing their needs are usually unknown to the principal. In addition, the agency contract is based on the imperfect, ie the principal does not know the ins and outs of company information relating to the agent's actions.

2. Adverse Selection

Agents have more information when a contract with the principal has not been made and complete information is only disclosed after the contract is executed before a decision is made. The principal cannot control whether the agent acts in the interests of the principal or for the benefit of the agent himself.

The relationship between the principal and the agent is at risk leads to information imbalance, because the agent has more information about the company than the principal. In other words, it can be assumed that individuals will act in accordance with their own interests, so the information they have will encourage agents to hide the information they have from the principal. In this condition, agents can influence the company's financial statements by using earnings management. If the agent with the principal experiences this condition, the company will not run well. Thus a control mechanism is needed that can align the interests of both parties.

Signaling Theory

Signal theory is signaling carried out by managers in reducing information asymmetry. Managers present information through financial reports that management implements conservatism accounting policies that can obtain higher quality profits because this principle prevents companies from taking action to exaggerate profits and help users of financial statements by providing information on profits and assets that are not overstated. In practice, management carries out a conservatism policy by calculating high depreciation and will produce low profits that are relatively permanent which means it does not have a temporary effect on the decline in profits that will turn around in the future (Hendrianto, 2012).

If the company is in financial difficulties and has bad prospects, the manager signals by conducting conservative accounting which is reflected in negative discretionary accruals in showing that the company's financial condition and current and future future earnings are worse than current non-discretionary earnings . Therefore, the increasing level of corporate financial difficulties will encourage managers to improve earnings management actions and vice versa.

Company Size

The size of the company is the scale of the company seen from the total assets for the year concerned until the next few years which shows the size of the company. The bigger the assets, the more capital invested, the more sales, the more money will be circulated and the greater the market capitalization, the greater will be known in the community (Sudarmadji and Sularto, 2007 in Ningsaptiti, 2010).

The size of the company is one of the measures used by the company to find out whether the company has more complex operational activities that enable earnings management. The size of the company is a scale in which small companies can be classified according to various ways, including total assets, sales and stock market value (Kusumawardhani, 2012)

The size of the company is also a reference for investors, which investors use to assess the assets and performance of the company. The size of a company can be seen from the total assets (assets) and total sales (net saes) owned by the company. Usually larger companies have more information than small companies. The bigger the company, the more decisions that can be made at the company. So the bigger the company, the greater the ability of the company to get a loan, because large companies tend to be able to generate profits.

Leverage

Leverage is the use of assets and sources of funds by companies that have fixed costs in order to increase shareholder profits. Leverage is also a ratio that describes the source of operating funds used by the company. The leverage ratio also shows the magnitude of the risk of the company, the greater the risk faced by the company, the uncertainty to

obtain future profits will also increase and also to predict the profit that might be biased for investors if they invest in the company.

According to Subhan (2010), the magnitude of the debt management ratio (leverage) shows how much the company uses debt to fund investments made for the company's operations. The economic situation in general, funding by using debt to a certain extent will have a positive impact on the company's cash flow, including the existence of tax savings and providing more operating profits available to investors.

Leverage is usually used to describe a situation or the company's ability to use assets or funds that have a fixed burden to increase the level of income for the owner of the company. Leverage shows how much debt is used to finance company assets. Leverage is the ratio between total liabilities and total assets, the greater the level of leverage, the greater the value of the company's debt. Companies that have a high leverage ratio due to the large amount of debt compared to assets owned by the company will tend to manipulate earnings management. Management will also choose an accounting process that increases assets, surrenders debt and increases income with the aim of avoiding violations of long-term debt contracts (Putri and Titik, 2014)

Managerial ownership

Managerial ownership is the number of shares held by company management. Managerial ownership can be measured by calculating the percentage of shares held by company management with the number of shares outstanding. One mechanism that can reduce agency costs is by increasing share ownership by management. The presence of agency relations with control by agents in the company tends to cause agency conflict. Agency conflict can lead to the nature of management reporting opportunistically earnings to maximize personal interests. Agency conflict can be minimized by increasing the number of shares held by company management (Fauziah, 2014)

The greater the ownership of management, the greater the management's efforts to maximize profits for the benefit of shareholders and for their own interests. Jensen and Meckling (1976) state that ownership of a company by management can equalize the interests of shareholders with the interests of managers so that conflicts of interest between shareholders and managers can be minimized.

According to accounting theory, earnings management is determined by the motivation of company managers. Different motivations will produce different earnings management values. Ownership of a manager will determine the policy and decision making of the accounting methods applied in the preparation of financial statements, so that a certain percentage of share ownership by management tends to influence the actions of earnings management (Fauziah, 2014)

Institutional Ownership

Institutional ownership is according to agency theory, there is a distance between the agent and the principal which gives rise to the possibility of conflict can affect the quality of reported earnings. The presence of agency conflict triggers the emergence of information asymmetry between agents and principals. The management has certain interests and will tend to compile a profit report that is in accordance with its objectives and not in the interests of the principal.

Institutional shareholders tend to have a lot of information compared to individual shareholders. Because in general institutional shareholders spend a lot of time observing or researching companies and industries, while individual shareholders have limited time to observe company performance. A high level of institutional ownership will lead to greater oversight by institutional investors, so that it can become a barrier to manager's opportunistic behavior.

Cornett et al., (2006) in Fauziah (2014) states that supervisory actions carried out by companies and institutional investors can limit managerial behavior. With that, the existence of institutional shareholders can motivate managers to encourage their attention to company performance, so that institutional shareholders are encouraged to succeed in becoming an effective monitoring mechanism in every decision taken by the manager. This is because institutional shareholders are involved in strategic retrieval, so it is not easy to believe in earnings manipulation.

Profit management

Earnings management is a management action / behavior to choose accounting policies to influence profits as they wish through internal factors owned by the company. The definition of earnings management is divided into two, namely:

1. Narrow definition

Earnings management in the narrow sense is interpreted as a manager's behavior to play with the discretionary accrual component in determining earnings according to the target manager.

2. Broad Definition

Earnings management in the broad sense is a manager's action to increase or decrease the profit reported in a period over a unit where the manager is responsible, without causing an increase or decrease in the unit's long-term economic profitability.

In general, earnings management can be said as an intervention from the management of the company to regulate profits by increasing or decreasing accounting profits by utilizing the leeway of using accounting methods or principles, because in accounting standards companies are allowed to freely choose the accounting method. According to Schipper (1989) earnings management in the process of financial reporting to external parties of the company is a corporate management intervention for the purpose of personal interest. Earnings management results in profits reported by the company not being in accordance with the actual conditions and not in accordance with economic reality, so the reported quality of earnings is not good. Earnings management is done so that the company looks to have a good performance.

According to Scott (2009) there are several factors that encourage company management to practice earnings management, namely:

1. Motivation planning bonuses

The management of the company will act opportunistically and try to regulate company profits in such a way as to suit personal interests so as to get the maximum bonus.

2. Other motivations

Other motivations which are the driving factors for management in practicing earnings management are political motivation, taxes, CEO turnover, IPO, and the importance of information to shareholders.

a. Political motives

Earnings management is used by company management to reduce earnings reporting to public companies. The management of companies tends to reduce profits because of pressure from the public, especially large companies and strategic industries because their activities affect the public which can result in the government issuing stricter regulations.

b. Tax motive

Earnings management is carried out with tax motives, namely in order to save tax, this motive is the most obvious motive for the company's management to conduct earnings management.

c. CEO turnover

The CEO turnover motivation, for example, is that CEOs who are approaching retirement tend to increase bonuses, and if a poorly performing CEO will tend to maximize income so that he is not dismissed as CEO.

d. IPO

Earnings information is a benchmark for the value of a company in a company that will conduct an IPO (Initial Public Offering). If the company will conduct an IPO, the management of the company will tend to conduct earnings management so that the company's stock price rises and is demanded by investors.

e. The importance of providing information to shareholders

Because providing information to shareholders, especially information about profits, is important, so that reported profits need to be presented so that shareholders continue to assess the company in good performance.

Earnings management techniques according to Setiawati and Na'im (2000) in Rama (2013) were conducted with 3 techniques, namely:

1. Take advantage of opportunities to make accounting estimates

Company management can conduct earnings management with judgment (estimation) of accounting estimates including estimation of the percentage estimate of uncollectible receivables, estimation of the economic life of fixed assets to influence depreciation or amortis for intangible assets, estimated warranty costs, and others.

2. Change the accounting method

Changes in accounting methods used to make earnings management in recording transactions. An example is the method of depreciating fixed assets from the unit of activity method to the straight line method, the inventory valuation method from the average method to the FIFO method.

3. Shift the period of costs or income

Shifting the period of costs or income, for example, is accelerating or delaying expenses for research and development until the next accounting period, accelerating or delaying the promotion of expenses until the next period, etc.

According to Scott (2009) there are several forms of earnings management that can be done by company management, including:

1. Taking a bath

Taking a bath usually occurs when CEO turnover or organizational management changes by recognizing costs there are future periods and current period losses to be charged, so that the next period profits will be higher.

2. Income minimization

Is a pattern that is carried out when a company has profitability or the ability to generate high profits so that if future earnings are expected to drop dramatically then it can be overcome by taking profit from the previous period.

3. Income maximization

Is a pattern that is carried out when a company experiences a decline in profit, a goal of income maximization in order to report a high net income in order to receive a higher bonus.

4. Income smoothing

The company does it by doing income smoothing which is reported to reduce profit fluctuations that are too large or too small because investors in general tend to like profits that are relatively stable.

Previous research

The test results that have been carried out by several previous researchers can be seen in table 2.1 as follows:

Table 1
Previous research

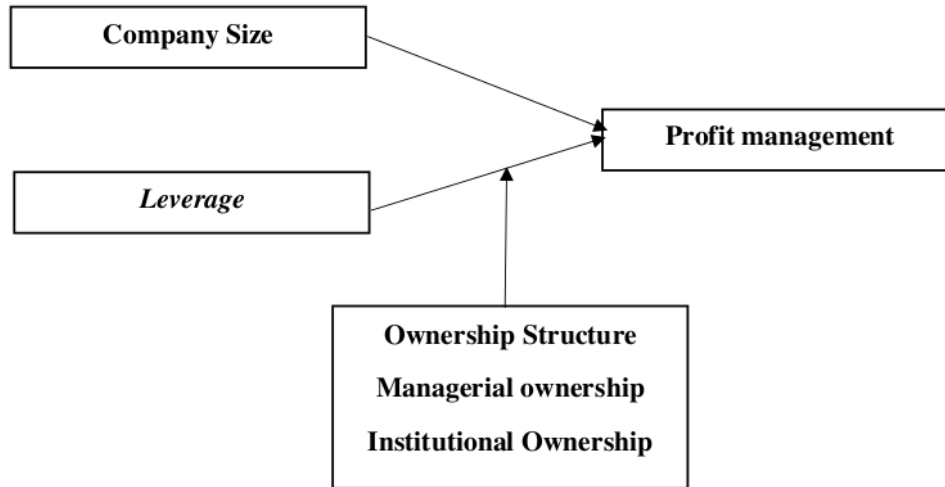
Name of Researcher	Title	Research variable	Results
Mariana <i>et al.</i> (2016)		<i>Good Corporate Governance, leverage, company size, earnings management</i>	Institutional ownership, independent board of commissioners, leverage does not affect earnings management, but the size of the audit committee and company size influence earnings management. Simultaneously the five variables do not affect earnings management.
Wardana (2012)	Effect of Good Corporate Governance, leverage, firm size on earnings management (empirical studies on manufacturing companies listed on the IDX)	<i>Corporate governance, institutional ownership, board of commissioners. Board of director, board independence, audit committee, leverage, firm size, earning management</i>	Institutional ownership has a positive effect on earnings management, board of commissioners has a negative effect on earnings management, board of directors negatively affects earnings management, independent board has a negative effect on earnings management, audit committee has a positive effect on earnings management, leverage has a negative effect on earnings management, firm size negative effect on earnings management.
Marlisa (2016)	Analysis of Factors that affect earnings management of property and real estate companies	<i>Leverage, firm size, good corporate governance, earnings management</i>	The results showed that leverage variables, independent commissioners, and audit committees did not significantly influence earnings management, while firm size and audit quality had a significant effect on earnings management.
Abdillah <i>et, al.</i> (2015)	Effect of Good Corporate Governance on Profit Management (Empirical Study on Manufacturing	<i>Good corporate governance, manajemen laba</i>	The results of this study indicate that the audit committee has a negative effect, independent commissioners, and

	Companies Listed on the Indonesia Stock Exchange 2013-2014)		institutional ownership has a negative and significant effect on earnings management. While managerial ownership has a positive and significant effect on earnings management
Sari (2014)	The effect of good corporate governance on earnings management	<i>Good corporate governance, managerial ownership, institutional ownership, audit committee, independent commissioner, firm size, company size, earnings management</i>	The results of the study showed that independent commissioners and KAP measures had an effect on earnings management, but managerial ownership, institutional ownership, audit committees, firm size had no effect on earnings management
Wulandari (2013)	Effect of Good Corporate Governance and leverage on earnings management (Study of non-financial companies listed on the Indonesia Stock Exchange in 2008-2011)	Good corporate governance mechanism, company size, leverage, earnings management, financial performance	The results showed that (1) institutional ownership had a significant negative effect on earnings management, (2) independent commissioners had a significantly insignificant positive effect, (3) the size of the board of directors had no significant negative effect on earnings management, (4) leverage negatively affected significant to earnings management, (5) company size has a significant negative effect on earnings management.
Putri (2014)	Effect of managerial ownership, leverage, and firm size on earnings management in food and beverage companies	Managerial ownership, leverage, earnings management, company size	The results showed that managerial ownership and leverage did not have a significant positive effect on earnings management, firm size did not have a significant negative effect on earnings management and managerial ownership, leverage, simultaneous firm size did not significantly influence earnings management.

Lee (2013)	Effect of leverage, institutional ownership, size and firm value on earnings management actions	<i>leverage, institutional ownership, company size, company value, and earnings management</i>	Based on the results of the study indicate that simultaneously, leverage, institutional ownership, company size and firm value significantly influence earnings management. Partially, company size has a significant negative effect on Earnings Management, while leverage, company ownership and firm value have no significant effect on earnings management.
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Framework

The conceptual framework describes the relationships between variables in the study. In this study, the conceptual framework will describe the influence of company size, leverage on audit report lag with ownership structures (managerial ownership and institutional ownership) as moderating variables. In figure 1 is the theoretical framework of the hypothesis contained in this study, as follows:



Picture 1

Framework

Development of Hypotheses

Effect of company size on earnings management

Company size is a value that shows the size of the company. The size of the company can show how much the company is developing and know the ability and level of risk of the company in managing shareholder investment (Wulandari, 2013). Larger companies usually tend to have a broad interest in the public and are more public attention so that they will pay more attention to the financial reporting process and have an impact on financial reports that are more accurate (Effendi, 2013 in Sari, 2014). The size of the company is thought to be able to influence the amount of corporate earnings management, where if earnings management is carried out efficiently makes the size of the company bigger and the management of profits increases (Restuwulan, 2013). Increased earnings management is due to the size of the company because large companies have more complex operational activities than small companies, thus causing earnings management. This is supported by research conducted by Medyawati & Dayanti (2016) and Sutikno et al. (2014) which proves that there is a positive influence of company size on earnings management.

H1: Company size has a positive effect on earnings management.

Effect of leverage on earnings management

Leverage is a measure of the proportion of total assets financed by creditors or company debt (Gitman and Zutter, 2015). The higher the leverage ratio, means the higher the company's debt or in other words the debt proportion is higher than the proportion of the company's assets. This shows that the company has a large dependence on debt which can make investors careful and raise doubts to invest in the company because if the operating company has a dependence on debt, the risk of investors will be higher. So the company management can be encouraged to take earnings management actions to make investors interested in investing in the company. The higher the company's debt, the management must also be able to convince the creditors that the company can return the loan and interest (Wulandari, 2013). In addition, the higher the level of leverage describes the management error in managing the company's finances or the implementation of an inappropriate strategy. Therefore, the higher the leverage ratio can increase earnings management actions by company management. This is supported by research conducted by Naftalia and Marsono (2013) and Wardana (2012) who say there is a negative effect of leverage on earnings management.

H2: Leverage has a positive effect on earnings management.

Effect of managerial ownership on earnings management

Management is ownership of shares by the management of the company. Jensen and Meckling (1976) say managerial ownership can reduce agency problems or agency conflict from the manager by equating the interests of managers and shareholders. Because according to agency theory, agency conflict arises because of the separation between the owner and the manager of the company caused by the principal and the agent has their own interests and the principal and agent try to increase their satisfaction. Therefore, agency problems can be minimized by increasing managerial ownership so that company management will have interests that are aligned with shareholders so that it will minimize the opportunistic behavior of managers. (Abdillah, 2015). With the unification of these interests, agency conflict can be reduced and managers can be motivated to improve company performance and improve shareholder welfare (Anggraeni and Hadiprajitno, 2013).

Because managers have more access to company information compared to shareholders, eating managers can manipulate that information if the information is not in accordance with their interests. But with managerial ownership that will unite the interests of managers and shareholders, managers will not be motivated to do earnings management so that it can improve the quality of accounting information and profits. Therefore, increasing managerial ownership is expected to reduce earnings management actions. This is supported by research conducted by Anggraeni and Hadiprajitno (2013), Maharianta and Ramantha (2014) which prove that managerial ownership is proven to have a negative effect on earnings management.

H3: Managerial ownership has a negative effect on earnings management.

Effect of institutional ownership on earnings management

Institutional share ownership is the ownership of the number of shares of a company owned by non-bank financial institutions such as mutual fund companies, pension funds companies, insurance companies, investment companies, private foundations and others. This institution has a big interest in the investment made including investment in shares in other companies so that the institution professionally monitors the development of its investment. And institutional shareholders tend to have a lot of information compared to individual shareholders. Because in general institutional shareholders spend a lot of time observing or researching companies and industries, while individual shareholders have limited time to observe company performance. So that institutional ownership will lead to greater oversight by institutional investors, so that it can become an obstacle and reduce manager's opportunistic behavior such as earnings management actions by the company.

According to Cornett et al., (2006) in Fauziah (2014) said that supervisory actions carried out by companies and institutional investors can limit managerial behavior. It can be said that institutional ownership has the ability to reduce the incentives of managers who prioritize personal interests through a strict level of supervision. The existence of this institution is able to be an effective monitor for company management in taking earnings management actions (Abdillah, 2015). Therefore it can be said that the higher the level of institutional ownership will reduce earnings management actions. This is supported by research conducted by Wulandari (2013), Abdillah (2015), Rice (2013) who said that there is a negative influence of corporate governance on the proxy of institutional ownership of earnings management.

H4: Institutional ownership has a negative effect on earnings management

The influence of company size on earnings management is moderated by managerial ownership

Managerial ownership is share ownership by management, with managerial ownership management not only functions as a company manager but also as a shareholder (Jensen & Meckling, 1976). Based on accounting theory, earnings management is determined by manager's motivation. Differences in motivation produce differences in the size of earnings management, such as between managers who are also shareholders and managers as company managers. Both of these can affect earnings management, this is because managerial ownership determines policy and decision making on the accounting methods applied to the managed company. A certain percentage of share ownership by management tends to influence earnings management actions (Gideon, 2005). Based on the description, the research hypothesis is as follows:

H5: ¹ Managerial ownership strengthens the influence of firm size on earnings management

The effect of company size on earnings management is moderated by institutional ownership

Institutional ownership is the ownership of company shares by parties outside the company in the form of institutions, which are expected to reduce the deviant management actions of the company. With high institutional ownership, institutional investors will get fewer opportunities for corporate control. With the proportion of the number of institutional ownership in a company will strengthen the influence of company size on earnings management. Research conducted by Umami (2016) found that institutional ownership can strengthen the influence of firm size on earnings management. Based on the description, the research hypothesis is as follows:

H6: Institutional ownership strengthens the influence of firm size on earnings management

Effect of Leverage on Profit Management Moderated by Managerial Ownership

The amount of leverage can affect earnings management, high leverage due to management errors in managing the company or in other words, the lack of proper implementation of management strategies. Lack of supervision can lead to high leverage and increase opportunistic actions such as earnings management to maintain management performance in the eyes of shareholders and the public. Managerial ownership is share ownership by management, with managerial ownership management not only functions as a company manager but also as a shareholder (Jensen and Meckling, 1976).

Based on accounting theory, earnings management is determined by manager's motivation. Differences in motivation produce differences in the size of earnings management, such as between managers who are also shareholders and

managers as company managers. Both of these can affect earnings management, this is because managerial ownership determines policy and decision making on the accounting methods applied to the managed company. A certain percentage of share ownership by management tends to influence earnings management actions (Gideon, 2005). Research conducted by Rahmah and Soekotjo (2017) found that managerial ownership weakens the influence of leverage on earnings management. In line with the research, research conducted by Jao and Pagalung (2011) also found that managerial ownership weakened the influence of leverage on earnings management. Based on the description, the research hypothesis is as follows:

H7: Managerial ownership weakens the influence of leverage on earnings management

Effect of Leverage on Profit Management Moderated by Institutional Ownership

Institutional ownership does not have the ability to control management so it cannot reduce earnings management, because institutional investors do not act as sophisticated investors who have more ability and opportunities to monitor and discipline managers to be more focused on company value. Institutional ownership is one way to monitor the performance of managers in managing the company so that the presence of ownership by other institutions is expected to reduce earnings management behavior carried out by managers. Institutional ownership has the ability to control management through an effective monitoring process (Naftalia and Marsono, 2013). Institutional ownership can monitor the relationship between leverage and earnings management. Institutional share ownership is not just fulfilling the existing regulations, but some of the existing tasks are not optimal. This is due to temporary institutional ownership and only hopes for a high return. So that institutional ownership has the ability to influence leverage relationships with earnings management. Research conducted by Rahmah and Soekotjo (2017) found that institutional ownership can weaken the influence of leverage on earnings management. Based on the description, the research hypothesis is as follows:

H8: Institutional ownership weakens the influence of leverage on earnings management

RESEARCH METHODOLOGY

The purpose of the study on the influence of company size and leverage on earnings management with ownership structure as a moderating variable is to determine whether company size and leverage can influence earnings management and to determine whether ownership structures (managerial and institutional ownership) can moderate the relationship between independent variables and variables dependent. The other purpose of this study is to develop knowledge and the type of research conducted by researchers is deductive research that tests hypotheses through testing the application of theories that are relevant to earnings management.

The variables to be used in this study include company size as the first independent variable (X1), leverage as the second independent variable (X2) and its effect on earnings management as the dependent variable (Y), and ownership structure that is proxied by managerial ownership (Z1) and institutional ownership (Z2) as a moderating variable. The data acquisition method will be carried out by the researcher by analyzing the data obtained from the company's financial statements through the company's official website or through the Indonesia Stock Exchange website at (<http://www.idx.co.id/>) to obtain research data.

Operational Definition of Variables and Measurements

The variables used in this study consisted of three types, namely the dependent variable, the independent variable, and the moderating variable. The following is an understanding and measurement of each variable:

3.2.1 Dependent Variables

The dependent variable used is earnings management from real activities. Real earnings management in this study uses a formula from Roychowdhury (2006) that measures sales manipulation aimed at sustainable cvby through increasing price cuts or lighter credit requirements, reducing discretionary spending and overproduction or increasing production to report lower HPP. All variables are divided by total assets to reduce heteroscedasticity. The formula used is as follows:

$$\frac{PROD_t}{A_{t-1}} = \alpha_0 + \alpha_1 \left(\frac{1}{A_{t-1}} \right) + \alpha_2 \left(\frac{S_t}{A_{t-1}} \right) + \alpha_3 \left(\frac{\Delta S_t}{A_{t-1}} \right) + \alpha_4 \left(\frac{\Delta S_{t-1}}{A_{t-1}} \right) + \varepsilon_t$$

Where:

PROD_t = The sum of COGS in event year t and the change in inventory

A_{t-1} = Lagged total assets

S_t = Net revenues in the current period

ΔS_t = Δ Change in net revenues)

ΔS_{t-1} = Change in net revenues in the prior period

ε = Unstandardized residual

Independent Variables

Independent variables are variables that can affect the dependent variable. The independent variables used in this study are company size and leverage.

Company Size

The size of the company is the scale of the company seen from the total assets for the year concerned until the next few years which shows the size of the company. The bigger the assets, the more capital invested, the more sales, the more money will be circulated and the greater the market capitalization, the greater will be known in society (Sudarmadji and Sularto, 2007 in Ningsaptiti, 2010). In this study, company size is measured using the following formula:

$$SIZE = \ln(\text{Total Asset})$$

Leverage

Leverage is the use of assets and sources of funds by companies that have fixed costs in order to increase shareholder profits. Leverage is also a ratio that describes the source of operating funds used by the company. In this study leverage measurement uses a debt to equity ratio proxy. The formula used is as follows:

$$DER = \frac{\text{Total Debt}}{\text{Total Equity}}$$

Moderation variable

The moderating variable is a variable that can strengthen or weaken a relationship between the independent variable and the dependent variable. The moderating variable in this study is ownership structure. In this study, ownership structure is measured using managerial ownership and institutional ownership.

Managerial ownership

Managerial ownership is the number of shares held by company management. Managerial ownership is measured by calculating the percentage of shares held by company management with the number of shares outstanding. The formula used to measure managerial ownership is as follows:

$$MANAJ = \frac{\text{amount of Managerial Share Ownership}}{\text{Number of outstanding shares}}$$

Institutional Ownership

The formulas used to measure institutional ownership are as follows:

$$INST = \frac{\text{Jamount of Institutional Share Ownership}}{\text{Number of Circulating Shares}}$$

The population in this study are manufacturing companies listed on the Indonesia Stock Exchange (IDX). The research sample is a manufacturing company listed on the Indonesia Stock Exchange (IDX) in 2015-2017. The technique of sampling in this study was using a purposive sampling method that is with non-random sampling techniques whose information can be obtained with certain terms and criteria. The criteria are as follows:

1. Companies listed on the Indonesia Stock Exchange (IDX) for the period 2015 to 2017.
2. The company belongs to the category of manufacturing companies.
3. The company has published the audited financial statements from 2015 to 2017
4. The company uses the rupiah as a currency in disclosing its financial statements.
5. Companies that have not suffered consecutive losses during the 2015-2017 period

RESULTS AND DISCUSSION

Results

This study uses secondary data from the financial statements of 65 manufacturing companies listed on the Indonesia Stock Exchange in 2015-2017 that meet the specified criteria. The companies that will be sampled in this study are all manufacturing companies listed on the Indonesia Stock Exchange in 2015-2017 with the determination of the purposive sampling method. The sample criteria used in this study are as follows:

Table 2
Research Sample Criteria

Information	Total
Companies that are listed on the Indonesia Stock Exchange in a row during the 2015-2017 period	555
Companies Not Manufacturing Companies	(408)
Companies that do not publish the audited financial statements from 2015 to 2017	(6)
Companies that do not present financial statements in rupiah	(40)
Companies that have suffered losses in a row during the 2015-2017 period	(36)
Uji <i>Outlier</i>	(6)
Number of Company Samples	59
Number of Years of Research	3
Number of Samples During the Research Period	177

Source: data processed (2018)

Based on the description table of the research object data above, manufacturing companies listed on the Indonesia Stock Exchange in a period of 2015-2017 were 147. Meanwhile, companies that did not present a complete report during the 2015-2017 study period were as many as 6 companies each. and companies that do not present financial statements in the rupiah as many as 40 companies during the 2015-2017 period. Meanwhile, companies that suffered losses in a row were 36 companies. So that the samples used in this study were 65 companies.

The outlier test aims to look at data that has a very large residual value (Gujarati, 2010). If the data has an outlier value, then it means that the sample element contains a very large residual value and must be excluded from the research data. Based on the results of the outlier test analysis on the regression model data to be analyzed, it is found that some data have very large values compared to other data. In this study, the outlier test results were as many as 6 companies per year or 18 companies for 3 years (data attached). Thus, the sample used in this study after an outlier test was 59 samples for three years or 177 company samples per year.

The purpose of this study was to examine the effect of firm size and leverage on earnings management with ownership structure as a moderating variable. Thus there are 2 independent variables, 1 dependent variable and 2 moderating variables.

Descriptive statistics

Descriptive statistics are methods related to gathering, summarizing, presenting data in a more informative form. Descriptive statistics are used to analyze and present quantitative data in order to describe the characteristics of the data in a study. In the descriptive statistical analysis of the object of this study, the researcher will describe the calculation of minimum values, maximum values, mean values, standard deviations from firm size, leverage, earnings management, ownership structure (managerial ownership and institutional ownership) .

The minimum value is the lowest value for each variable while the maximum value is the highest value for each variable in the study. The average value (mean) is the average value of each variable studied. Standard deviation is the distribution of data used in research that reflects data that is heterogeneous or homogeneous in nature that is volatile. This study used 177 samples of manufacturing companies listed on the Indonesia Stock Exchange during 2015-2017 or 59 companies per year. The following is a table of descriptive statistics for each research variable:

Tabel 3
Statistik Deskriptif
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
REM	177	-.74	2.32	.0090	.24417
SIZE	177	25.49	32.15	28.5316	1.64140
LEV	177	-10.19	162.19	1.8575	12.23550
KM	177	.00	.49	.0453	.09836
KI	177	.00	.96	.6568	.23023
Valid N (listwise)	177				

Source: data processed with SPSS 24 (2018)

Based on table 3 above, it can be seen that the objects studied (N) in 2015-2017 were as many as 177 companies. From the table above, it can be seen the minimum values, maximum, mean, and standard deviation of each variable. This table is used to assist in identifying the size of the deviations for each variable that affects variables with each other. Descriptive statistical analysis shows the following results:

1. Real Earning Management (REM)

In the real earnings management proxy variable used is absPROD, the statistical results show a minimum value of -0.74, namely PT Mayora Indah Tbk in 2017. The maximum value is 2.32, namely PT Eterindo Wahanatama Tbk in 2016. The real earnings management value is equal to 0.0090, which means that the average value of real earnings management sampled is 0.0090. The standard deviation value is 0.24417.

2. Company Size (SIZE)

On company size variables, the statistical results show a minimum value of 25.49, namely PT Beton Jaya Manunggal Tbk in 2016 and a maximum value of 32.15, namely PT Indofood Sukses Makmur Tbk in 2015. The average value of company size is 28.5316 and standard value deviation of 1.64140.

3. Leverage (LEV)

In the leverage variable, the statistical results show a minimum value of -10.19, namely PT Eterindo Wahanatama Tbk in 2017 and a maximum value of 162.19, namely PT Eterindo Wahanatama Tbk in 2016. The average value of leverage is 1.8575 and the standard deviation is 12.23550.

4. Managerial Ownership (KM)

In managerial ownership variables, the statistical results show a minimum value of 0.00 and a maximum value of 0.49, namely PT Intan Wijaya International Tbk. The average value of managerial ownership is 0.0453 and the standard deviation value is 0.09836.

5. Institutional Ownership (KI)

In managerial ownership variables, the statistical results show a minimum value of 0.00 and a maximum value of 0.96, namely PT Sekar Laut Tbk in 2016. The average value of institutional ownership is 0.6568 and the standard deviation value is 0.23023.

Discussion Analysis of Research Results

In this study the data analysis process uses the classic assumption test and the research hypothesis testing. The classic assumption test process is carried out because the analytical method used in this study is a multiple regression method, while the research hypothesis testing is done to test whether there is an influence of independent variables statistically, where the test method uses analysis multiple regression.

Normality test

In this study normality testing uses the Kolmogorov Smirnov (KS) Method. This normality testing is carried out on a regression model between variable firm size and leverage on earnings management with ownership structures (managerial ownership and institutional ownership) as moderating variables.

According to the Kolmogorov Smirnov (KS) method, a data in the analysis model is said to follow a normal distribution if the calculated KS value is smaller than the KS table or the significance value is greater than alpha 5%, and conversely a data is said to not follow the normal distribution if the KS value is more big from KS table or the significance value is smaller than alpha 5%.

Tabel 4
Normality test

1

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		177
Normal Parameters ^{a, b}	Mean	.0000000
	Std. Deviation	.15027028
Most Extreme Differences	Absolute	.063
	Positive	.035
	Negative	-.063
Test Statistic		.063
Asymp. Sig. (2-tailed)		.087 ^c

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Source: data processed with SPSS 24 (2018)

Based on the results of the residual normality test, it is known that the residual regression equation model has the value of Asymp. Sig > alpha 0.087 (0.087 > 0.05). Then H0 is accepted, meaning that the distribution of residual values in the regression equation model is declared to be normally distributed. This shows that the regression model of the dependent variable and the independent variable has a normal or close distribution so that the assumptions of normality required by the model are met.

Multicollinearity Test

From the results of processing statistical data obtained the multicollinearity testing table as follows:

Tabel 5
Multicollinearity Test Results

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta				Tolerance	VIF
1	(Constant)	.866	.775			1.117	.266		
	SIZE	-.035	.027	-.234		-1.287	.200	.068	14.647
	LEV	.056	.024	2.812		2.318	.022	.002	652.841
	KM	10.244	2.701	4.127		3.792	.000	.002	525.221
	KI	-1.019	1.061	-.960		-.960	.339	.002	444.222
	SIZE_KM	-.395	.098	-4.309		-4.015	.000	.002	510.949
	SIZE_KI	.043	.037	1.164		1.154	.250	.002	450.676
	LEV_KM	.402	.206	.121		1.952	.053	.591	1.692
	LEV_KI	-.088	.050	-2.115		-1.743	.083	.002	652.957

a. Dependent Variable: REM

Source: data processed with SPSS 24 (2018)

Based on the table above, it is known that all variables have a Tolerance value of <0.10 and VIF value >10 . Then H_0 is rejected, meaning that between independent variables there are symptoms of multicollinearity. In other words, between independent variables in the regression model one has a very weak correlation with other independent variables. Regression modeling with moderating variables, there is a high probability that multicollinearity will occur. This is the limitation of researchers because multicollinearity cannot be cured. Thus it can be concluded that the regression model used is a multicollinearity problem.

In general, in the Moderating Regression Analysis model there will be high multicollinearity between independent variables, for example between X_1 variables and moderate variables ($X_1.X_2$). This is because in moderate variables there are elements X_1 and X_2 . With regression modeling with moderate variables, multicollinearity is likely to occur (Liana, 2009). However, the emergence of multicollinearity does not become a serious problem, because it can be seen from high R^2 values (Gujarati, 2009).

Autocorrelation Test

Autocorrelation shows that there is a correlation between the error of the previous period error which in the classical assumption this should not happen. The autocorrelation test was carried out using Durbin Watson. If the Durbin Watson value ranges between the upper limit value (d_U), it is estimated that there is no violation of autocorrelation. From the results of processing statistical data the autocorrelation test table is obtained as follows.

The basis for making clearer autocorrelation tests is shown in the following table:

Table 6
Autocorrelation Decision

Zero Hypothesis (H_0)	Decision	Criteria
There is no positive autocorrelation	H_0 is rejected	$0 < d < d_L$
There is no positive autocorrelation	no decision	$d_L \leq d \leq d_U$
There is no negative autocorrelation	H_0 is rejected	$4 - d_L < d < 4$
There is no negative autocorrelation	no decision	$4 - d_U \leq d \leq 4 - d_L$
There is no autocorrelation (positive or negative)	H_0 is accepted	$d_U < d < 4 - d_U$

Source: Basic Econometrics, Gujarati, (2010)

From the results of processing statistical data, the autocorrelation testing table is obtained as follows:

Table 7
Testing of Autocorrelation

N	dL	Du	4-dU	4-dL	DW	Conclusion
---	----	----	------	------	----	------------

177	1.679	1.788	2.212	2.321	2.119	There is no autocorrelation
-----	-------	-------	-------	-------	-------	-----------------------------

Source: data processed with SPSS 24 (2018)

From the results of the autocorrelation test above it is known that the model studied has a total observation of 162, with the number of independent variables of 4 variables. The results of the Watson durbin test were obtained in the area where there was no autocorrelation.

Heteroscedasticity Test

The results of heteroscedasticity testing are shown in the following table:

Tabel 8
Heteroscedasticity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta				Tolerance	VIF
1	(Constant)	-.188	.455			-.414	.679		
	SIZE	.014	.016	.241		.876	.382	.068	14.647
	LEV	-.034	.014	-4.372		-1.384	.118	.002	652.841
	KM	-3.670	1.584	-3.810		-1.316	.122	.002	525.221
	KI	.414	.623	1.007		.665	.507	.002	444.222
	SIZE_KM	.138	.058	3.870		1.385	.118	.002	510.949
	SIZE_KI	-.020	.022	-1.383		-.908	.365	.002	450.676
	LEV_KM	-.262	.121	-.203		-1.173	.131	.591	1.692
	LEV_KI	.069	.029	4.316		1.353	.120	.002	652.957

a. Dependent Variable: abs

Source: data processed with SPSS 24 (2018)

Based on the table above, it is known that all independent variables have sig values. > 0.05. Then H0 is accepted, meaning that the error variance is declared homogeneous. Furthermore, it was concluded that there were no problems with heteroscedasticity. Thus the assumption of heteroscedasticity in the regression equation model has been fulfilled.

Hypothesis testing

In this study, there are six hypotheses that need to be empirically tested. All the tested hypotheses are conjectures about the influence of company size and leverage on earnings management with ownership structures (managerial ownership and institutional ownership). The following is a description of the results of data analysis on logarithmic regression models to test the proposed hypothesis:

F Test (Simultaneous Test)

In this study testing simultaneously using the F Test or ANOVA (analysis of variance). This test is conducted to see the joint effect of the independent variables (company size and leverage) on earnings management with ownership structures (managerial ownership and institutional ownership) as moderating variables. The decision to take the simultaneous test is as follows:

If Sig. < alpha 0.05 then H0 is rejected

If Sig. > alpha 0.05 then H0 is accepted

Tabel 9

Simultaneous Test Results

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.518	8	.815	34.443	.000 ^b
	Residual	3.974	168	.024		
	Total	10.493	176			

a. Dependent Variable: REM

b. Predictors: (Constant), LEV_KI, KI, SIZE, LEV_KM, KM, SIZE_KI, SIZE_KM, LEV

Source: data processed with SPSS 24 (2018)

From the results of the F test above it is known that the significance value $< \alpha 0.05$. Then H_0 is rejected, which means there is a joint effect between all independent variables of company size and leverage on earnings management with ownership structure (managerial ownership and institutional ownership) as a moderating variable.

Goodness of Fit Test

Testing the coefficient of determination is used to explain how much variation in the dependent variable can be explained by variations in independent variables. Test the coefficient of determination is observed through the adjusted R2 value.

Tabel 10
Determination Coefficient Test Results

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.788 ^a	.621	.603	.15381	2.119

a. Predictors: (Constant), LEV_KI, KI, SIZE, LEV_KM, KM, SIZE_KI, SIZE_KM, LEV

b. Dependent Variable: REM

Source: data processed with SPSS 24 (2018)

In the table above it is known that the coefficient of determination seen from the value of Adj.R2 is 0.603. This means that 60.3% of the variation of the dependent variable earnings management can be predicted from a combination of all independent variables. Meanwhile, the remaining 39.7% (100% -60.7%) is influenced by other variables outside the research.

T Test (Partial Test)

In this study partial testing carried out using the t test. The following are the results of the regression analysis:

Tabel 11
Partial Test Results

Variabel	Koefisien Regresi	Sig.	Decision
Constant	0.866	0.266	
SIZE	-0.035	0.200	Ho rejected
LEV	0.056	0.022	Ha accepted
KM	10.244	0.000	Ho rejected
KI	-1.019	0.339	Ho rejected
SIZE_KM	-0.395	0.000	Ho rejected

SIZE_KI	0.043	0.250	Ho rejected
LEV_KM	0.402	0.053	Ho rejected
LEV_KI	-0.088	0.083	Ha accepted

Source: data processed with SPSS 24 (2018)

Model Regresi:

$$\text{REM} = 0.866 - 0.035 \text{ SIZE} + 0.056 \text{ LEV} + 10.244 \text{ KM} - 1.019 \text{ KI} - 0.395 \text{ SIZE_KM} + 0.043 \text{ SIZE_KI} + 0.402 \text{ LEV_KM} - 0.088 \text{ LEV_KI} + e$$

Based on the results of partial regression testing (t-test) shown in Table 11, it is known that the variable size of the company has a sig value. amounting to 0.200 ($0.200 / 2 = 0.100$) $0.100 > 0.05$, this indicates the variable size of the company is not significant at the level of 5% with a regression coefficient of -0.035, so the decision is Ha rejected. This indicates that company size does not have a positive effect on earnings management. The company size variable has a sig value. amounting to 0.022 ($0.022 / 2 = 0.011$) $0.011 < 0.05$, this indicates a significant leverage variable at the level of 5% with a regression coefficient of 0.056, so the decision is Ha accepted. This indicates that leverage has a positive effect on earnings management.

Managerial ownership variables have sig values. amounting to 0,000 ($0,000 / 2 = 0,000$) $0,000 < 0.05$, this shows a significant managerial ownership variable at the level of 5% with a regression coefficient of 10,244, so the decision is Ha rejected. This indicates that managerial ownership does not negatively affect earnings management. Managerial ownership variables have sig values. amounting to 0.339 ($0.339 / 2 = 0.167$) $0.167 > 0.05$, this shows that institutional ownership variables are not significant at level 5% with a regression coefficient of -1.019, so that the decision is Ha rejected. This indicates that institutional ownership does not negatively affect earnings management.

Firm size variables that are moderated by managerial ownership have sig values. amounting to 0.000 ($0.000 / 2 = 0.000$) $0.000 < 0.05$, this shows the variable size of the company that is moderated by managerial ownership is significant at the level of 5% with a regression coefficient of -0.395, so the decision is Ha rejected. This indicates that managerial ownership does not strengthen the influence of company size on earnings management. company size variables moderated by institutional ownership have a sig value. amounting to 0.250 ($0.250 / 2 = 0.125$) $0.125 > 0.05$, this shows the variable size of the company that is moderated by institutional ownership is not significant at the level of 5% with a regression coefficient of 0.043, so the decision is Ha rejected. This indicates that Institutional ownership does not strengthen the influence of company size on earnings management.

Leverage variables that are moderated by managerial ownership have sig values. amounting to 0.053 ($0.053 / 2 = 0.027$) $0.027 < 0.05$, this shows that the leverage variable is moderated by significant managerial ownership at the level of 5% with a regression coefficient of 0.402, so that the decision is Ha accepted. This indicates that managerial ownership does not weaken the influence of leverage on earnings management. Leverage variables that are moderated by institutional ownership have sig values. amounting to 0.083 ($0.083 / 2 = 0.042$) $0.042 < 0.05$, this shows that the leverage variable is moderated with institutional ownership significant at the level of 5% with a regression coefficient of -0.088, so that the decision is Ha accepted. This indicates that institutional ownership weakens the influence of leverage on earnings management.

CONCLUSION

The results of this study are the size of the company does not have a positive but not significant effect on earnings management. These results are not in line with the research conducted by Medyawati & Dayanti (2016) and Sutikno et al. (2014) which proves that there is a positive influence of company size on earnings management. These results explain that the size of the company does not affect the actions of managers in conducting earnings management. This explains that both large companies and small companies both have the ability to influence the amount of corporate earnings management and if earnings management is carried out efficiently making large and small companies can improve earnings management. Increased earnings management because large and small companies both have operational activities that are equally complex. Leverage has a positive effect on earnings management. This result is

in line with the research conducted by Naftalia and Marsono (2013) and Wardana (2012) who say there is a negative effect of leverage on earnings management. These results explain The higher the company's debt, the management must also be able to convince the creditors that the company can return the loan and interest (Wulandari, 2013). In addition, the higher the level of leverage describes the management error in managing the company's finances or the implementation of an inappropriate strategy. Therefore, the higher the leverage ratio can increase earnings management actions by company management. Leverage is a measure of the proportion of total assets financed by creditors or company debt (Gitman and Zutter, 2015). The higher the leverage ratio, means the higher the company's debt or in other words the debt proportion is higher than the proportion of the company's assets. This shows that the company has a large dependence on debt which can make investors careful and raise doubts to invest in the company because if the operating company has a dependence on debt, the risk of investors will be higher. So the company management can be encouraged to take earnings management actions to make investors interested in investing in the company.

Managerial ownership does not negatively affect earnings management. These results are not in line with the research conducted by Anggraeni and Hadiprajitno (2013), Maharianta and Ramantha (2014) which prove that managerial ownership is proven to have a negative effect on earnings management. This result explains that the high and low managerial ownership cannot reduce management actions in conducting earnings management. The results of this study are managerial ownership has a positive effect on earnings management. This can explain that the higher ownership shares held by managers can improve earnings management practices in the company. The greater proportion of management ownership in a company shows that ownership also produces incentives for executives to manipulate stock prices opportunistically. The ability of an executive to demonstrate opportunistic behavior is limited by internal control. Institutional ownership does not negatively affect earnings management. This result is not in line with the research conducted by Wulandari (2013), Abdillah (2015), Rice (2013) who said that there was a negative influence of corporate governance on the proxy of institutional ownership of earnings management. This result explains that supervisory actions carried out by companies and institutional investors cannot influence manager behavior. It can be said that institutional ownership does not use the ability to reduce the incentives of managers who prioritize personal interests through a strict level of supervision. The existence of this institution is not able to be an effective monitor for company management in performing earnings management actions. In addition, institutional investors do not have the authority to make decisions regarding company policies.

Managerial ownership does not strengthen the influence of company size on earnings management. These results explain that the size of managerial ownership in the company cannot strengthen the influence of company size in determining management actions in earnings management. In this study, managerial ownership weakens the influence of firm size on earnings management. Managerial ownership is one mechanism that can limit managerial opportunistic behavior in the form of earnings management. In this study refers to existing theories that state managerial ownership can function as a corporate governance mechanism so that it can reduce large-sized companies and will also reduce the actions of managers in manipulating earnings. Institutional ownership does not strengthen the influence of company size on earnings management. This result is not in line with the research conducted by Umami (2016) found that institutional ownership can strengthen the influence of firm size on earnings management. This result explains that the size of institutional investors cannot strengthen large and small companies to take earnings management actions. This explains that institutional investors do not have a large share in the company in determining policies relating to the company, they only have the authority to oversee the company's operational activities carried out by managers and can only provide input, but decisions in carrying out actions and policies are carried out by manager.

Managerial ownership does not weaken the influence of leverage on earnings management. The results of this study are not in line with Jao and Pagalung (2011) also found that managerial ownership weakens the influence of leverage on earnings management. These results explain that managerial ownership strengthens the influence of leverage on earnings management. This is due to the fact that managers avoid losses caused by the amount of obligations that must be paid by the company so that it can reduce the stock profits it has and managers take opportunistic actions by manipulating profits that can provide profits for shares owned and get incentives from majority shareholders. Institutional ownership weakens the influence of leverage on earnings management. This result is in line with the research conducted by Rahmah and Soekotjo (2017) found that institutional ownership can weaken the influence of leverage on earnings management. This result explains that institutional ownership can monitor the relationship

between leverage and earnings management. Institutional share ownership is not just fulfilling the existing regulations, but some of the existing tasks are not optimal. This is due to temporary institutional ownership and only hopes for a high return. So that institutional ownership has the ability to influence leverage relationships with earnings management.

Based on the conclusions of the study, the advice given in this study is to use a sample of research from other industries in order to see the difference in results by using industries other than manufacturing. Add other variables that can affect earnings management. For companies it is recommended to pay attention to leverage and institutional ownership because both of these factors can affect earnings management. For investors it is recommended to pay attention to leverage and institutional ownership because both of these factors influence the company's actions in conducting earnings management.

Gilbert Rely 28 Feb_2

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