

The role of moderation family ownership control in corporate governance mechanisms for earning management in group companies in Indonesia

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Abstract

The purpose of this study is to examine and analyze the effect of corporate governance on earnings management with ownership control as a moderating factor. The object of this study is issuer group companies listed on the Indonesia Stock Exchange. The sampling method used was purposive sampling. The method of data analysis in this study is Statistical Product and Service Solutions (SPSS) using the SPSS Statistics 24 program. The results of this study are The Corporate Governance moderated by family control has a significant effect on earnings management. The number of families who own shares as well as occupy positions in the company reinforces the influence of management decisions on earnings management. The contribution of this study strengthens the theory and previous research.

Keywords: Earning Management; Corporate Governance; Company Performance; Group Companies

1. Introduction

A company is a form of organization that generally has certain goals that it wants to achieve for the benefit of its members. According to Windharta and Ahmar (2017). Success in achieving company goals is an achievement of company management. Earnings management is a choice by managers of accounting policies to achieve certain goals. Practitioners and regulators often have different perceptions with accounting academics about earnings management. Practitioners and regulators often view earnings management as problematic while academics are unable to provide convincing evidence Dechow et al. (2000).

The board of commissioners has the task of supervising the financial reporting process so that it can produce good quality financial reporting. In describing procedures for improving the quality of financial reports, there is an emphasis on the role of the board of commissioners in suppressing earnings manipulation and in ensuring that it provides accurate information about company operations (Wong et al, 1998). Earnings management in companies can be explained by company attributes such as the level of political costs (Jones, 1991), bonus planning based on profits (Holthausen et al., 1995; Healy, 1985), and violations of debt agreements (DeAngelo et al., 1994; DeFond and Jiambalvo, 1994).

Earnings management arises because of the agency relationship between the principal (shareholder) and the agent (manager). This agency relationship can be explained in agency theory. Jensen and Meckling's (1976) agency theory is a theory that explains that an agency relationship arises when one or more people (principal) employ another person (agent) to provide services and then delegate decision-making authority to the agent. The main principle in agency theory is the existence of a working relationship between the party giving authority (principal), in this, case the shareholder, and the party receiving authority (agent), namely the manager. Agents and principals also have different interests. Principals as capital owners want management to guarantee their interests by increasing profits as an

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indication of a return on invested capital, besides that agents want good performance with increased profits to increase their incentives.

It is recorded that in group companies listed on the stock exchange (BEI) profit management (EM) fluctuated from 2014-2018. There was an increase in TA figures from 2015 to 2016 which was followed by an increase in the cash value from operations, in 2017 there was a decrease in earnings management caused by an increase in the value of operational cash, but at the end of 2018 there was a significant increase in earnings management for the company and was followed by a decrease in company operating cash and also an increase in family (affiliate) control over family ownership control carried out by management to carry out earnings management.

This is reinforced by a quote in (Konfrontasi.com 2018) which says that the majority of large companies that dominate the economy in Indonesia are controlled by families. And I found that around 80% of public companies listed on the Indonesian Stock Exchange (BEI) are controlled by families. Is family ownership good for minority shareholders? Family ownership in public companies can be likened to a double-edged sword. On the one hand, family ownership is considered to have three main advantages over non-family ownership.

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2. Material and methods

2.1. Materials

2.1.1. Grand Theory

Agency Theory

The concept of agency theory according to Anthony et al. (2009) is a relationship or contract between the principal and the agent. An explanation of the concept of earnings management can also be done using agency theory which states that earnings management practices are influenced by conflicts of interest between management (agent) and the owner (principal) which arise when each party tries to maintain a level of prosperity.

2.1.2. Middle Theory

Earnings management

Earnings management can occur because of different interests between principals (company owners) and agents (company managers). This happens because administrators (managers) have information about the company that is not owned by shareholders and use it to increase its utility. Earnings management as a phenomenon is influenced by various factors that encourage this phenomenon.

Definition of Profit Management

The Definition of earnings management was created by the National Association of Fraud Examiners, Fisher and Resenzweig, Lewitt, and Healy and Wahlen (Sulistyanto, 2008). According to the National Association of Certified Fraud Examiners in Sulistyanto (2008:49): Earnings management is intentional, deliberate, misstatement or omission of material facts, or accounting data, which is misleading and when considered with all the information made available, would cause the reader to change or alter his or her judgment or decision (Earnings management is a deliberate error or omission in making a report regarding material facts or accounting data so that it is misleading when all the

information is used to make judgments which will ultimately cause the person who reads it to change or change their opinion or decision).

According to Fisher and Rosenzweig in Sulistyanto (2008:49): Earnings management is an action of a manager serving to increase (decrease) current reported earnings of the unit for which the manager is responsible without generating a corresponding increase (decrease) in long-term economic profitability of the unit (Profit management is a manager's actions to increase (decrease) the current period profits of a company he manages without causing an increase (decrease) in the company's long-term economic profits). According to Lewitt in Sulistyanto (2008:50): Earnings management is flexibility in accounting allowing it to keep pace with business innovations. Abuses such as earnings occur when people exploit this pliancy. Trickery is employed to abstain from actual financial volatility. This, in turn, makes the true consequences of management decisions.

2.1.3. Applied Theory

Good Corporate Governance

According to SukrisnoAgoes (2013:101), corporate governance can be defined as follows: Good governance is a system that regulates the relationship between the role of the Board of Commissioners, the role of the Board of Directors, shareholders, and other stakeholders. Good corporate governance is also referred to as a transparent process for determining company goals, achieving them, and assessing their performance.

According to Moh. WahyudinZarkasyi (2008:37) defines corporate governance as follows: corporate governance is a system (input, process, output) and a set of regulations that regulate the relationship between various interested parties (stakeholders), especially in the narrow sense of the relationship between shareholders, board of commissioners and board of directors in order to achieve company goals.

Based on the definitions above, corporate governance is a system that regulates the relationship between shareholders, share managers, and other parties related to the internal and external interests of the company, both the rights and obligations of each party in controlling the company in order to achieve the company's goals. what interested parties want to achieve and pay attention to other stakeholders based on statutory regulations and ethical values.

2.2. Methods

2.2.1. Research Design

This research is included in quantitative research, namely a research approach that places more emphasis on collecting quantitative data. Quantitative data is data in the form of numbers or numerical data (Sugiyono, 2007).

2.2.2. Population

The population used in this research is companies which is registered and has carried out its financial reporting on the Indonesian Stock Exchange (BEI) for group companies in Indonesia over the past 5 year period.

2.2.3. Samples

In this research, the sampling technique used was purposive sampling with the following sampling criteria:

- All group companies listed on the Indonesia Stock Exchange (BEI);
- The company publishes financial reports for the period ending December 31 during the research year;
- The company presents complete data regarding the variables used in this research during the research year;
- Companies that present financial reports in rupiah currency;

2.2.4. Data Collection Methods

The data collection technique applied is as follows:

- Documentation, data collection by reading and taking necessary notes from the company. This is done by reading the financial reports of each company;
- Literature Study, namely research carried out by studying literature and processing it regarding matters related to writing this thesis. The data was collected using observations from group subsidiaries on the Indonesia Stock Exchange.

2.2.5. Definition & Operational Variables

The operationalization of research variables refers to the journal publication of Idris et.al. (2017) can be illustrated below:

Dependent Variable:

Earnings Management (EM):

Healy Model

$TA = \text{Net income} - \text{Cash flow from operations}$

$$NDA_t = \frac{\sum TA_t}{T}$$

Jones Model

$$TAC_t = \alpha_1 \frac{1}{TA_{t-1}} + \alpha_2 \left(\frac{\Delta REV_t}{TA_{t-1}} \right) + \alpha_3 \left(\frac{PPE_t}{TA_{t-1}} \right) + \varepsilon$$

$$DAC_t = TAC_t - NDA_t$$

Kothari Model

$$TAC_{it} = \beta_1 \left(\frac{1}{A_{it-1}} \right) + \beta_2 \left(\frac{\Delta Rev_{it}}{A_{it-1}} - \frac{\Delta Rec_{it}}{A_{it-1}} \right) + \beta_3 \left(\frac{PPE_{it}}{A_{it-1}} \right) + \beta_4 \left(\frac{ROA_{it-1}}{A_{it-1}} \right) + \varepsilon$$

Independent variables

- Independent Commissioner (BIND)
- Management Ownership (OWM)
- Family Ownership Control (FOWC)

Variables:

- Company size (SIZE)
- Debt Size (LEV)
- Audit Size (BIG4)

Moderating Variable:

Family Ownership Control (FOWC)

2.2.6. Data Analysis Methods

Descriptive Statistical Analysis

Descriptive statistical analysis is a descriptive technique that provides information about the data held and does not aim to test hypotheses. This analysis is only used to present and analyze data accompanied by calculations in order to clarify the situation or characteristics of the data in question (Nurgiyantoro et al., 2004). The measurements used in this research are mean, standard deviation, maximum and minimum. Mean is used to determine the average of the data in question. Standard deviation is used to determine how much the data in question varies from the average. Maximum is used to find out the largest amount of data in question. The Minimum is used to find out the smallest amount of data in question.

2.2.7. Classic Assumption Test

Normality Test

The normality test aims to test whether the dependent and independent variables in the regression model are normally distributed (Ghozali, 2006). A good regression model is one that has a normal or close to normal data distribution. The normality test in this study is based on a simple statistical test by looking at the kurtosis and skewness values for all

dependent and independent variables. Another test used is the non-parametric Kolmogorov-Smirnov (KS) statistical test. The KS test is carried out by making a hypothesis:

H₀: residual data is normally distributed

H_A: residual data is not normally distributed

Multicollinearity Test

The multicollinearity test aims to test whether there is a correlation between the independent variables in the regression model (Ghozali, 2005). A good regression model should be free from multicollinearity. Detection of the presence or absence of multicollinearity, namely:

- The R square (R²) value produced by an empirical regression model estimate is very high, but individually independent,
- Analyzing the correlation matrix of independent variables. If there is a fairly high correlation between independent variables (more than 0.09), then this is an indication of multicollinearity.
- Looking at the *tolerance value* and *variance inflation factor (VIF)*, a regression model is free from multicollinearity problems if it has a *tolerance value* of less than 0.1 and a VIF value of more than 10 (Ghozali, 2006).

Heteroscedasticity Test

The heteroscedasticity test aims to test whether there is an inequality of variance from the residuals of one observation to another in the regression model (Ghozali, 2006). A good regression model is if *the variance* from the residuals of one observation to another is different (heteroscedasticity). Heteroscedasticity can be seen through a graphic plot between the predicted value of the dependent variable and its residual. If the pattern on the graph is shown by points spread randomly (without a clear pattern) and spread above or below the number 0 on the Y-axis, then it can be concluded that heteroscedasticity does not occur in the regression model.

Autocorrelation Test

The autocorrelation test aims to test whether in the multiple linear regression model there is a correlation between the confounding error in period t and the confounding error in period t-1 (previous). If correlation occurs, it is called an autocorrelation problem (Ghozali, 2005). A good regression model is a regression that is free from autocorrelation.

Multiple Linear Regression Analysis

The analytical method used to assess the wide variability of risk disclosure in this research is multiple regression analysis. Multiple regression analysis is used to test the influence of the independent variables company risk level, company size, and industry type on the dependent variable company risk disclosure. The regression model developed to test the hypotheses formulated in this research is:

Model (1): $E_{Mit} = a_0 + \beta_1 BDIND_{it} + \beta_2 FOWC_{it} + \beta_3 OWM_{it} + \beta_4 SIZE_{it} + \beta_5 LEV_{it} + \beta_6 BIG4_{it} + \varepsilon_{it}$

Model (2): $E_{Mit-1} = a_0 + \beta_1 BDIND_{it} + \beta_2 FOWC_{it} + \beta_3 OWM_{it} + \beta_4 SIZE_{it} + \beta_5 LEV_{it} + \beta_6 BIG4_{it} + \beta_7 BDIND_{Cit} * FOWC_{it} + \beta_8 OWM_{it} * FOWC_{it} + \varepsilon_{it}$

Information :

- E_{Mit} = Management Earnings (TA)
- SIZE_{it} = Company size
- LEV_{it} = Leverage
- BIG4_{it} = Auditor Size (BIG4)
- BDIND_{it} = Independent Commissioner
- OWM_{it} = Managerial Ownership
- FOWC_{it} = Family Ownership
- ε_{it} = the residual.

Hypothesis Testing

- Coefficient of Determination Test (R²)

The Coefficient of Determination (R²) is used to measure how far the dependent variables are. The coefficient of determination (R²) value is between zero and one. A small R² value means that the ability of the independent variables to explain the dependent variable is very limited. If the coefficient of determination is equal to zero, then the independent variable has no effect on the dependent variable. If the coefficient of determination is close to 1, then the independent variable has a perfect effect on the dependent variable. By using this model, the confounding error is kept to a minimum so that R² approaches 1, so that the regression estimate will be closer to the actual situation.

- Simultaneous Significance Test (F Statistical Test)

The F statistical test is used to determine whether all independent variables included in the regression model have a joint (simultaneous) influence on the dependent variable (Ghozali, 2006). If the significance probability value is <0.05, then the independent variables jointly influence the dependent variable.

- Individual Parameter Significance Test (t Statistical Test)

The t statistical test is used to determine how far the influence of an individual independent variable is in explaining variations in the dependent variable (Ghozali, 2006). If the significance probability value is <0.05, then an independent variable is a significant explanation of the dependent variable.

2.2.8. Data Analysis Methods

This research uses Structural Equation Models or *Statistical Product and Service Solutions* (SPSS) using the SPSS Statistics 24 program. To test the research hypothesis, two regression models are used as follows: The first model is used to evaluate the relationship between BDIND, FOWC, BIND and EM. Both models are used to measure the effect of EM on the relationship between BDIND, FOWC, BIND and EM.

EM-Healey model: $EM_{it} = a_0 + \beta_1 BDIND_{it} + \beta_2 FOWC_{it} + \beta_3 OWM_{it} + \beta_4 SIZE_{it} + \beta_5 LEV_{it} + \beta_6 BIG4_{it} + \beta_7 BDIND_{it} * FOWC_{it} + \beta_8 OWN_{it} * FOWC_{it} + \epsilon_{it}$

EM-Jones model: $EM_{it} - 1 = a_0 + \beta_1 BDIND_{it} + \beta_2 FOWC_{it} + \beta_3 OWM_{it} + \beta_4 SIZE_{it} + \beta_5 LEV_{it} + \beta_6 BIG4_{it} + \beta_7 BDIND_{it} * FOWC_{it} + \beta_8 OWN_{it} * FOWC_{it} + \epsilon_{it}$

EM-Kothari model: $EM_{it} - 1 = a_0 + \beta_1 BDIND_{it} + \beta_2 FOWC_{it} + \beta_3 OWM_{it} + \beta_4 SIZE_{it} + \beta_5 LEV_{it} + \beta_6 BIG4_{it} + \beta_7 BDIND_{it} * FOWC_{it} + \beta_8 OWN_{it} * FOWC_{it} + \epsilon_{it}$

Information :

- EM_{it} = Earning Management
- SIZE_{it} = Company size
- LEV_{it} = Leverage
- BIG4_{it} = Auditor Size (BIG4)
- BDIND_{it} = Independent Commissioner
- OWM_{it} = Managerial Ownership
- FOWC_{it} = Family Ownership
- ϵ_{it} = the residual

3. Results and discussion

3.1. Normality Test Results

The normality test aims to test whether in the regression model, the confounding or residual variables have a normal distribution. If there is normality, then the residuals will be distributed normally and independently Ghozali (2013). The results of descriptive statistical tests are as follows:

Table 1 Normality Test Results

Unstandardized Residuals		Healy	Jones	Kothari
N		373	364	370
Normal Parameters ^{a, b}	Mean	0.0000000	0.0000000	0.0000000
	Std. Deviation	0.08011327	0.07418301	0.08011327
Most Extreme Differences	Absolute	0.046	0.042	0.044
	Positive	0.046	0.029	0.044
	Negative	-0.029	-0.042	-0.039
Statistical Tests		0.044	0.046	0.042
Asymp. Sig. (2-tailed)		0.085 ^c	0.066 ^c	0.181 ^c

a. Test distribution is Normal; b. Calculated from data; c. Lilliefors Significance Correction; d. This is a lower bound of the true significance. Source: Processed data (SPSS 24 output.)

3.2. Multicollinearity Test Results

In this SPSS analysis, according to Imam Ghozali (2011: 105-106), the multicollinearity test aims to test whether the regression model found a correlation between independent variables. To test multicollinearity by looking at the VIF value of each independent variable, this is done to determine the validity and reliability of the indicator being tested. *Multicollinearity* is the existence of a linear relationship between independent variables X in the Multiple Regression Model. If the linear relationship between independent variables X in the Multiple Regression Model is perfect correlation then these variables have perfect double collinearity. factors that influence the annual consumption of a household, with the following multiple regression model:

Table 2 Multicollinearity Test Results

Model		Tolerance					
		Healy		Jones		Kothari	
1	(Constant)	Tolerance	VIF	Tolerance	VIF	Tolerance	VIF
	BIND	0.959	1.043	0.928	1.078	0.956	1.046
	OWM	0.967	1.034	0.899	1.112	0.968	1.033
	FOWC	0.950	1.052	0.941	1.062	0.946	1.057
	SIZE	0.897	1.114	0.960	1.041	0.917	1.090
	LEV	0.929	1.077	0.963	1.039	0.882	1.133
	BIG4	0.943	1.060	0.947	1.056	0.941	1.063

Source: Processed data (SPSS 24 output.)

3.3. Heteroscedasticity Test Results

The heteroscedasticity test is used to determine whether or not there are deviations from the classic assumption of heteroscedasticity, namely the unequal variance of the residuals for all observations in the regression model. The prerequisite that must be met in the regression model is the absence of symptoms of heteroscedasticity. There are several test methods that can be used, including the Glesjer test with the Spearman correlation coefficient test.

The Glejser test is carried out by regressing the independent variables with their absolute residual values (ABS_RES). If the significance value between the independent variables is > 0.05 then there is no heteroscedasticity problem. Evaluation of the heteroscedasticity test for each management earnings calculation can be seen in the following table:

Table 3 Heteroscedasticity Test Results

Model	Healy	Jones	Kothari	Model
1	(Constant)	0.014	0.000	0.000
	BIND	0.755	0.232	0.968
	OWM	0.776	0.310	0.325
	FOWC	0.675	0.088	0.486
	SIZE	0.086	0.015	0.032
	LEV	0.026	0.056	0.024
	BIG4	0.081	0.533	0.036

Autocorrelation Test

There are 2 ways to detect the autocorrelation test, namely:

1. Positive Autocorrelation Detection:

If $d < d_L$ then there is positive autocorrelation,

If $d > d_U$ then there is **no** positive autocorrelation,

If $d_L < d < d_U$ then the test is inconclusive or inconclusive.

2. Negative Autocorrelation Detection:

If $(4 - d) < d_L$ then there is negative autocorrelation,

If $(4 - d) > d_U$ then there is **no** negative autocorrelation,

If $d_L < (4 - d) < d_U$ then the test is inconclusive or inconclusive.

Table 4 Autocorrelation Test Results

Model	Durbin-Watson	Rules	Information
Kothari	1.655	$1.655 < 1.668$	positive autocorrelation
Jones	1.687	$1.687 < 1.787$	positive autocorrelation
Healthy	1.653	$1.653 < 1.686$	positive autocorrelation

3.4. Hypothesis testing

3.4.1. Coefficient of Determination Test (R^2).

According to Ghozali (2016), the coefficient of determination test aims to measure how far the model's ability is to explain variations in the dependent variable. The coefficient of determination value is between zero and one. A small R^2 value indicates that the ability of the independent variables to explain the dependent variable is very limited. The classification of correlation coefficients without paying attention to direction is as follows:

- 0 : No Correlation
- 0 to 0.49: Weak correlation
- 0.50: Moderate correlation
- 0.51 to 0.99: Strong correlation
- 1.00: Perfect correlation

The weakness of the coefficient of determination is that it biases the number of independent variables included in the model. Every time an independent variable is added, R2 will definitely increase regardless of whether the variable has a significant effect on the dependent variable. Therefore, the adjusted R2 model is used. The adjusted R2 model can increase or decrease if an independent variable is added to the model (Ghozali, 2016).

Table5 Coefficient of Determination Test (R²) Without control variables

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
EM-Healey	0.210 ^a	0.044	0.031	0.082761
EM-Jones	0.189 ^a	0.036	0.022	0.075498
EM-Kothari	0.169 ^a	0.029	0.015	0.077685

3.4.2. With Variable Control

Table 6 Test the Coefficient of Determination (R²) with control variables

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
EM-Healey	0.303 ^a	0.092	0.072	0.080989
EM-Jones	0.272 ^a	0.074	0.053	0.074307
EM-Kothari	0.319 ^a	0.102	0.082	0.075

3.5. Simultaneous Significance Test (F Statistical Test)

The F statistical test measures goodness of fit, namely the accuracy of the sample regression function in estimating actual values. If the significance value of F <0.05, then the regression model can be used to predict the independent variable. The F statistical test also shows whether all the independent or independent variables included in the model have a joint influence on the dependent variable. The F statistical test has a significance of 0.05 (Ghozali, 2016). The criterion for hypothesis testing using F statistics is that if the F significance value is <0.05, then the alternative hypothesis is accepted, which states that all independent variables simultaneously and significantly influence the dependent variable (Ghozali, 2016).

3.5.1. Healy

Table 7 Healy's Simultaneous Significance Test Results (F Statistical Test) .

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.242	8	0.030	4,613	0.000 ^b
	Residual	2.388	364	0.007		
	Total	2.630	372			

a. Dependent Variable: EM-HEALY
 Predictors: (Constant), BIG4, BIND, MOWN, LEV, FCONT, LNSIZE, BIND_FCONT, MWON_FCONT

3.5.2. Jones

Table 8 Results of Jones' Simultaneous Significance Test (F Statistical Test)

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.156	8	0.020	3.534	0.001 ^b
	Residual	1.960	355	0.006		
	Total	2.116	363			
a. Dependent Variable: EM-JONES						
b. Predictors: (Constant), MWON_FCONT, SIZE, BIND, BIG4, LEV, MOWN, BIND_FCONT, FCONT						

3.5.3. Kothari

Table 9 Results of Simultaneous Significance Test (F Statistical Test) Kothari

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.231	8	0.029	5.124	0.000 ^b
	Residual	2.031	361	0.006		
	Total	2.261	369			
a. Dependent Variable: EM-KOTHARI						
b. Predictors: (Constant), MWON_FCONT, SIZE, BIND, BIG4, LEV, MOWN, BIND_FCONT, FCONT						

3.6. T Test and Multiple Linear Regression Analysis.

The t statistical test basically shows how much influence an explanatory (independent) variable individually has in explaining variations in the dependent influence variable. The t test has a significance value of $\alpha = 5\%$. The criteria for hypothesis testing using the t statistical test is if the significance value of t (p-value) is <0.05 , then the alternative hypothesis is accepted, which states that an independent variable individually and significantly influences the dependent variable (Ghozali, 2016).

Table 10 Comparison of Earnings Management Output Results Between Models

Model	Haley		Jones		Kothari	
	t	Sig.	t	Sig.	t	Sig.
(Constant)	-2.220	0.027	-0.052	0.958	-1.269	0.205
BIND	-2.129	0.034*	-1.913	0.057*	-1.548	0.123**
OWM	1.875	0.062*	0.367	0.714	0.649	0.517
FOWC	-0.901	0.368	-1.348	0.179**	-1.245	0.214
SIZE	2.148	0.032*	0.892	0.373	2.344	0.020*
LEV	-3.559	0.000*	-3.802	0.000*	-5.065	0.000*
BIG4	2.041	0.042*	0.516	0.606	1.530	0.127**
BIND*FOWC	2.716	0.007*	2.534	0.012*	2.251	0.025*
OWM*FOWC	-0.984	0.326	0.002	0.998	-0.064	0.949

*significant at 5%; **significant at 10%

Table 11 Comparison of Earnings Management Output Results Between Models

Model	Rule Of Thumb.	Sig value.	Hypothetical results
BIND	sig. < 0.05 Ho rejected: Ha accepted	0.034	Ho was rejected
FOWC		0.062	Ho was rejected
OWM		0.368	Ha accepted
SIZE		0.032	Ho was rejected
LEV	sig.>0.05 Ho accepted : Ha rejected	0.000	Ho was rejected
BIG 4		0.042	Ho was rejected
BIND * FOWC		0.007	Ho was rejected
OWM * FOWC		0.326	Ha accepted

4. Discussion

This research discusses the influence of CG on earnings management and the role of family control as a moderator.

5. Conclusion

This research aims to test and explain empirically each component of *Corporate Governance* towards earnings management with control of family ownership as a moderator. The population in this study are manufacturing companies listed on the Indonesia Stock Exchange (BEI)

The analysis method used is *Statistical Product and Service Solutions* (SPSS). The analytical tool used to test the model and hypothesis in this research is SPSS24. Several things that can be concluded from this research are as follows:

H1: The independence of the board of directors has a significant effect on earnings management

Research by Riadiani and Wahyudin (2015) and Amen(2017), provides evidence of a negative relationship between board independence and earnings management, proposing that a higher percentage of board independence is associated with more effective monitoring to reduce management earnings. Khalil and Ozkan (2016) and Yulius and Arya (2016) also provide results that cast doubt on the notion that a higher ratio of no members at all is associated with lower earnings management and that the effect of board independence on earnings management practices depends on the level of ownership held by executive directors. The arge shareholders, as well as the composition of the audit committee. This opinion is also the same as Widyaningsih (2017) & Abdullah and Ismail (2018) who say that commissioners have no relationship with the company and managerial ownership is measured by the number of ownership shares held by management, the total number of shares outstanding.

Contrary to the findings from Kankanamage (2015) , Idris et al. (2018) , Min Oh and Joojeon (2017), and Susanto et al. (2016) and Shaique, Guo and et al. (2017) revealed that there is a significant relationship between board size, board composition, board financial expertise and board meetings and company management income. So an effective board of a company contributes to improving the quality and transparency of financial reporting.

Meanwhile, the results of research by Nazir et al. (2014) and Mohd Fadzilah, Norfarah Syahirah (2017), say that the increasing number of independent commissioners has a negative effect on earnings management, namely the level of decline in earnings management.

H2: Control of family ownership has a significant effect on earnings management.

Research by Idris et al. (2018), Lisbon (2017) A company is said to have family ownership if the leadership or family has more than 20% of the voting rights . Amin, Djuminah et al (2017) , tracing family ownership is carried out by looking at the names of the board of directors and board of commissioners. If the names of the board of directors and board of commissioners tend to be the same for several years and they have shares in company ownership, then it is possible

that the company is owned by the family. In contrast to Farida and Kusumaningtyas (2017), they say that control of family ownership has a very big role for management in carrying out earnings management to produce profits that look good.

H3: Management ownership has a significant effect on earnings management.

In research conducted by Khalil & Ozkan (2016) it is explained that a concentrated ownership structure can overcome agency problems, so that an appropriate ownership framework can be used to reduce the possibility of earnings management carried out by management. This explains that with ownership that is concentrated appropriately and efficiently, it can have a positive impact on the company because of the control that can guarantee accountability for the financial reports that have been prepared by management. Research conducted by Susanto (2017), Arifin & Pradipta (2016) proves that managerial, institutional, family and foreign ownership structures are able to play a superior role in the financial reporting process so that the potential for earnings management carried out by management can be reduced.

Meanwhile research conducted by Riadiani and Wahidin (2015) explains that board leadership structure is not related to company performance and the quality of company financial reporting, the same thing is explained in research by Min Oh and Joojeon (2017) which states that there is no relationship between management ownership. with earnings management, according to him, most directors or commissioners who have shares in family companies are reluctant to practice earnings management because dividend payments will definitely not be in accordance with the value that should be paid. This will certainly be a problem in the future.

H4: Control of family ownership influences the commissioner's decision Independent in Profit Management practice

H5: Control of family ownership has an effect on ownership Management in Profit Management practice

Compliance with ethical standards

Disclosure of conflict of interest

No conflict of interest to be disclosed.

Statement of informed consent

Informed consent was obtained from all individual participants included in the study.

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