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The Effect of Good Corporate Governance and Cost Components on the Tradeoff Between Real and Accrual Earning Management in Conventional Bank - (Empirical Study on Conventional Banks Listed in Indonesia Stock Exchange)

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Abstract: ***This study aims to examine the Effects of Good Corporate Governance and Cost Component on the Trade Off between Real and Accrual Earnings Management in conventional banks. The population of this research was in Conventional Bank that listed on the Indonesia Stock Exchange in 2013-2017. This study uses a sample of 20 conventional banks through purposive sampling method. The methodology of this research uses panel data regression analysis with EViews Version 10 as a statistical test tool. The results of the study show that good corporate governance which measured by audit committee effectiveness, seen from the number of audit committee members who has a accounting background show no significant effect on the real earning management but have a significant negative effect on the accrual earnings management. While the audit committee effectiveness which seen from the attendance percentage of the audit committee meeting has no significant effect on the real or accruals earnings management. There is no significant effect of audit fee, BOPO, cost of fund variables on the real and accrual earnings management. NOA variable has no significant effect on the real earnings management but have a negative effect on the accrual earnings management.***

Keywords: Good Corporate Governance, Cost Components, Real Earnings Management, Accrual Earning Management, Trade Off

1. Introduction

The financial statement is a financial information record for a period to describe the performance of the company. According to the Indonesian Financial Accounting Standards, the purpose of financial statements is to provide information regarding the financial position, performance and changes in financial position of an enterprise that will benefit a large number of users in making decisions. The financial statements are used as a source of important information that describes the performance and financial position of a company and can be used as the basis for decision-making by investors, creditors and other users (Keiso et al, 2011).

Earning is one of the information contained in the financial statements and used to satisfy the needs of the public, especially investors took this into consideration in investment decisions as stated Scott (2015). Earnings information is so important that it is often used as an engineering target by the management through opportunistic actions. The action is conducted by the manager in order to achieve goals. There are several ways that can be done by managers to achieve these goals, one of the action is selecting certain accounting policies, so that earning can be made higher or lower.

Earnings management is one of the factors that can reduce the credibility of the financial statements, earnings management add bias in the financial statements and may disrupt financial statement users who trust an engineering earning figure as a real earning figure. According to Setiawati et.al (2000), earnings management can be conducted with the management of accrual earnings and real earnings management.

Management in determining earnings management technique is also influenced by the costs that arise in determining the earning. Management will tend to choose accrual earnings management techniques can be seen from the high cost of funding and the health of banks. Financing costs and the health of banks can be controlled with the provisions made by management that would affect the earning obtained. While Management will choose the real earnings management if known audit fee and Net Operating Assets. With the high audit fee and Net Operating Asset so it will be detected easily by the auditors that the firm uses manajamen accrual earnings, therefore the management will choose to use real earnings management (Rianty Ontorael and Ira Geraldina, 2017).

The size of the cost of the components mentioned above can be a management judgment in selecting methods of earnings management and the trade off between earnings management techniques. The trade off is defined as earnings management when management chooses to do accrual earnings management techniques so it is predicted that real earnings management that occurs will decline, in this case the management is only doing one of earnings management. otherwise if it is obtained real earnings management practices so the accrual earnings management will decline.

Another factor that led to the earnings management in a company is company size (size), Age Integration (growth) and leverage. Company that relatively large will be more transparent in conducting operations because the company will get more attention by external parties such as governments, investors and creditors so as to minimize the costs of earnings management. In a study conducted by Rice (2016) and Prima Yofi (2018) states the size of companies, growth and leverage effect on earnings management, but research conducted by Bassiouny., Et al (2016) suggests that company's age does not affect earnings management.

One way to reduce the practice of earnings management is bysupervisingthe running of the company that controlled by the manager. Best current form of supervision is by implementinggood corporate governance (GCG). GCG is one of the keys that can be applied to monitoring the company's performance to be in line with the interests of stakeholders.

Implementation of GCG is expected to increase the transparency and accountability of the company. In the long term, the implementation of GCG-Nili is expected to increase shareholder value in the long term by taking into account the interests of stakeholders.

Research on earnings management has a lot to do. As these studies show different results. The study conducted by M. Cholid Mawardi (2011) which produced a study that the audit committee as a form of GCG doesn't effecton earning management. While research conducted by Istianingsih (2016) found that the GCGcommittee has positive effect on real earnings management but doesn't affect accrual management earnings.

Another study conducted by Gea Rafdan et al (2013) concluded that the quality of the external auditor affect the earnings management practices for audit committees while doesn't affect to earnings management. Another study examined the costs related to the management as practiced by Ira Geraldine et al (2017) and Nungky Ratna (2012) obtained results that management costs has an effect on earnings management. While the research conducted by Agil Joko (2016) proved that management fee doesn't affect to earnings management. The results of another study conducted by Zang (2012) found that there is a trade off between real and accrual earnings management while research of Ira Geraldine et al (2017) found there is no trade off between real and accrual management.

Based on the background described above, the author intends to conduct research with the title "The Effect of Good Corporate Governance and Cost Components between Real and Accrual Earnings Management in Conventional Bank that listed in Indonesia Stock Exchange Year 2013-2017 ".

2. Theoretical Basis

2.1 Agency Theory

Agency theory was first proposed by Jensen and Meckling (1976). According to Jensen and Meckling, agency theory states the relationship of two sides that attached in agreement which consists of agents that parties are given the responsibility and the principal who gave responsibility. Because of the divergence of interests between agent and principal in which each party has different interests, then it will be prone to conflict. Agency model design a system that involves both sides, so that a work agreement is required between the owner (principal) and management (agent). The agreement is expected to maximize principal utility and can guarantee the agent to receive a reward from the company management activities.

Divergence of interests between owners and management lies in maximizing the benefits of the owner (principal) with the constraints of benefits and incentives to be received by the management (agent). Different interests often lead to a conflict of interest between the shareholders or owners (principal) and management (agent). It is similar with Scott's statement (2015) that the relationship between principal and agent can lead to imbalance of information, where the agent has more information about the company as a whole than the principal.

2.2 Information Asymmetry Theory

According to Brighman et al (2001) asimetric Information or inequality of information is a situation where managers have different information (better) about the company's prospects rather than the investor's information. This inequality information is occurring because the management has more information than investors.

Asymmetry of information between agents and principals can lead to dysfunctional behavior manager. The existence of the information gap between managers and owners of the company open the opportunity for management to maximize their interests, one of which is by conducting earning management.

2.3 Real Earnings Management

Rorchowdury (2006) defines real earnings management as different operating practices that are carried out by normal operating practices, motivated by management's desire to give a wrong understanding to stakeholders so that stakeholders believe that certain financial reporting purposes has been achieved according to the company's normal operating practices. Manipulation of real activity such as giving a discount price, discretionary cost reduction that would be conducted by management is an optimal action in certain circumstances. However, those activities are conducted with more intensive than normal activity, with the aim of achieving the earning target so that act can be categorized as real earnings management.

2.4 Accrual Earning Management

Stubben (2010) states that discresionary revenue is the difference between the actual change in receivables and predictable changes in receivables based on the model. Abnormally high or low receivables indicate revenue management. Discresionary revenue model was introduced by Stubben (2010) on the basis of dissatisfaction with the accrual models that commonly used before.

Stubben (2010) study the ability of the revenue and accruals model for detecting earnings management simulation and real-time. The results show that the revenue model is not biased, better and stronger than commonly used model which is accrual model. Using simulation procedure found that the revenue model are more likely than accrual models to detect manipulation combination of income and expenses.

2.5 Good Corporate Governance

Research on Good corporate governance produces a variety of mechanisms that have the purpose to ensure that the management acts are similar with shareholder interests. The similar interests will be seen from the calibration of GCG principles that will promote transparency and responsibility of the company manager. If the supervision goes well so the manager's incentives to manage earning for their opportunistic goal will be weaken.

With the improvements in the GCG will lower earnings management practices through discretionary income. However, with the release of SOX by Zang (2011), GCG implementation actually makes managers prefer totrade off between earnings management through real or accrual.

2.6 Audit Committee Effectiveness

The audit committee, which is one GCGmechanism, has an important and strategic role in terms of maintaining the credibility of the financial reporting process, maintaining the creation of an adequate company monitoring system, also GCG can be held. By proceeding the function of committee audit effectively, then the control on the company will be better so the agency conflict that occurs due to management's desire to increase their prosperity can be minimized (Rahmawati, et al 2007).

The effectiveness of the Audit Committee, among others, can be seen from:

a) The size of the Audit Committee.
   According to Sawyer et.al (2003: 1337), the appropriate size of the audit committee are: "The number of members on the audit committee should be determined by the size of the board of directors and the size of the organization. Usually, the audit committee has three of five members " The effective number that recommended by the National Committee on Governance is, at least three people (2006).
b) Audit Committee Financial Expertise.
   According to Moeller (2004), financial expertise is necessary, especially following the case of massive earnings management that occurred at Enron that later resulted in the Sarbanes-Oxley Act (SOA).

2.7 Audit Fee

Audit Fee is the fee charged by a public accountant to the company for audit services of the financial statements. Standard public accounting profession (SPAP) section 240 point 1 of the audit fee stated that in conducting negotiations on services given profession, practitioners can propose the amount of remuneration that is deemed appropriate professionals. Institute of Indonesian Public Accountants issued administrators regulations No. 2 Year 2016 about the determination of cost on financial statement audit service. In establishing the audit fee, must take into consideration: the needs of the client and the scope of work, the time required in each stage of the audit, duties and responsibilities according to law, the level of skills and responsibilities attached to the work performed, the level of complexity of the work, the amount of personnel and the amount of time required and effectively used by the members and their nature to complete the work, the office quality control system, and the agreed service fee base.

From the explanation above, the amount of cost can be used as a measure to detect earnings management practices in the company.

2.8 BOPO

To measure the efficiency of the Bank, one of the indicators used is the ratio between operating expenses and operating income (BOPO) (Agustina, 2014). Operating costs are costs incurred by the bank in order to carry out its core business activities such as interest expenses, marketing costs, labor costs and other operating costs. Operating income is the main income of banks that income derived from placement of funds in credit form and other operating income.

If the amount of BOPO is getting smaller, it is show that the Bank in carrying out its business activities is more efficient. The healthy has BOPO ratio less than one, otherwise the unhealthy Bank has BOPO ratio more than one. Bank Indonesia Circular Letter No. 6/23 / DPNP set BOPO less than 93.52% so thata commercial bank can be said to be in good health.

2.9 Financing costs (cost of funds)

According to Riva et al. (2007) cost off funds is the interest paid by banks on funds raised from its operations. According to a statement of Financial Accounting Standards (PSAK No. 31 revised 2000), accrued interest expense. In banking practice, the calculation and formation of interest expense accrual is done every day.

Total cost of funds is the total of interest given by banks to obtain deposits in the form of fund demand deposits, savings deposits, and time deposits. Total cost of funds depends on how much interest charged to obtain the desired funds. The greater the interest that is charged against the deposit, the higher the cost of funds and vice versa.

2.10 Net Operating Asset (NOA)

In a management company, it takes diligence in managing assets. One of them is the calculation of the ratio of operating assets (NOA). NOA describe the company assets used to generate income or cash generated from the sale of goods and services to its customers. If the high NOA, the company will choose the real earnings management compared with accrual (Zang, 2012).

2.11 Leverage

leverage defined as the level of debt held by the company both long term and short term. leverage is the ratio between debt and assets are showing some parts of the assets used to pay debts. This size is strictly related to the presence and whether or not a debt agreement.

Lai (2005) states that the company is close to a debt covenant violation are more likely earning management. This is consistent with the hypothesis of debt or equity (debt or equity hypothesis). The higher the ratio of debt or equity, the greater the possibility for managers to choose accounting methods to increase earning. The manager will choose the accounting method that can increase eraning so as to loosen credit restrictions and reduce the cost of technical errors (Masodah, 2007: 19).

2.12 Bank Size (Size)

The size of the company is a scale where the size of the company can be classified according to a variety of ways, including: log total assets (Marihot and Setiawan, 2007), log total sales (Nuryaman 2008) and market capitalization (Halim et al., 2005).

Sutedja and Violita (2010) said large companies usually have great assets, great income, and high turnover so that the size of the company is often used as proxy, But in general, the asset is used to determine the size of a company because the asset is considered more stable.

Companies that have greater assets indicates that company has reached the stage of maturity where this stage, cash flow company has been positive and is considered to have good prospects within a relatively long time, but it also reflects that the company is relatively stable and can generate earning compared with the companies that has small total assets (Daniati and Suhairi, 2006).

2.13 Company Growth (Growth)

The company's growth (Growth) indicates the company's ability to maintain its survival. The company's growth is proxied by changes in the company's annual growth rate of total assets.

Companies with high-growth assets will earn the trust of the public, governments, investors and creditors. To maintain the company's credibility in the eyes of the public and to maintain public confidence, governments, investors and creditors, the company will reduce earning management practices. Company will keep its image so as to avoid the practice that could damage the company's image. Companies also keep information about the company widespread is good information (Mutmainah, 2011).

2.14 Hypothesis

The hypotheses are:
H1a: There is a positive effect on the effectiveness of the audit committee as an indicator of good corporate governance on the real earning management.
H1b: There is a negative effect on the effectiveness of the audit committee as an indicator of good corporate governance on the accrual earnings management.
H2a: There is a positive effect of audit fee on the real earnings management.
H2b: There is a negative effect of audit fee on accrual earnings management.
H3a: There is a negative effect of BOPO as an indicator of the health of banks on real earnings management.
H3b: There is a positive effect of BOPO as an indicator of the health of banks on accrual earnings management.
H4a: There is a negative effect of the cost of funds on the real earnings management.
H4b: There is a positive effect of the cost of funds to the accrual earnings management.
H5a: There is a positive effect of the Net operating asset on the real earning management.
H5B: There is a negative effect of the Net operating asset on the accrual earning management.

3. Methodology

This study was conducted to test hypotheses about the effects of multiple variables (independent variables) on other variables (veriabel dependent) therefore this research come under Mercubuana causal research (2017: 17). In causal research, it will be known to what extent that independent variables affect dependent variable. In this study, the independent variables are good corporate governance which is proxied by the effectiveness of the audit committee, the Audit Fee, BOPO, cost of funds, the NOA with variable control of Leverage, Size, Growth. While the dependent variable is the real earning management and accrual earning management.

3.1 Operationalization Variable Definition and Measurement variable

Independent and dependent variables used in this study was

3.1.1 Real Earnings Management
Roychodhury (2006) introduced a technique called rill earnings management activity. The real activity is defined as the difference in operating practices done by the normal operating practices, motivated by the intention to give a wrong understanding to stakeholders so that stakeholders believe that certain financial reporting purposes have been achieved according to the normal operating practice.

$$CFO_t / A_{t-1} = \alpha 0 + \beta 1 \, (1 / A_{t-1}) + \beta 2 \, (S_t / A_{t-1}) + \beta 3 \, (\Delta S_t / A_{t-1}) + \varepsilon t$$

Information:
CFO_{it} = Cash flow operating activities in the year t
A_{t-1} = Total assets (total assets) in year t-1
S_t = Sales (sales) on tahunt
ΔS_t = Sales in year t-1 t- sales
$\alpha 0$ = Constant
εt = error term in tahunt.

3.1.2 Accrual Earning Management
Discresionaryearning through revenue management is measured by using the formula of Stubben (2010) states that discretionary revenue is the difference between the actual change in receivables and predictable changes in receivables based on the model.

$\Delta ARit = \alpha + \beta 1 \Delta Rit + \beta 2 \Delta Rit \times SIZEit + \beta 3 \Delta Rit \times AGEit + \beta 4 \Delta Rit \times AGE\_SQ it + \beta 5 \Delta Rit \times GRR\_Pit + \beta 6 \beta \Delta Rit \times GRR\_Nit + \beta 7 \Delta Rit \times GRM + \beta 8 \Delta Rit\ GRM\_SQit + \varepsilon\ it$

Information:

ΔARit = Changes in receivables
ΔRit = Changes in corporate earnings
SIZEi = Natural log of total assets
AGEit = Natural log
AGE_SQit firm age = Square of the natural log its age
GRR_Pit = Growth rate inrevenue
GRR_Nit = Growth rate inrevenue
GRMit = Growth revenuemargin
GRM_SQit = Square of the GRM companies
ε = error

Good Corporate Governance is proxied by the Audit Committee Effectiveness

The audit committee is responsible for providing an independent professional opinion to the board of commissioners of the report or matters submitted by directors to the board of commissioners as well as identify things that require commissioners. The size of the audit committee effectiveness in this study was measured by using a large number of audit committee members who have the educational background of accounting and audit committee member of the percentage attendance at audit committee meetings.

Audit Fee

Auditfeein this study is used to measure the quality of the audit by using the amount of external audit costs incurred by the company. Audit costs were measured using a natural log (Ln) of the total cost of external audit.

BOPO

BOPO including profitability ratio (earnings). The success of the bank is based on quantitative valuation of the bank profitability can be measured by using the formula:

$$\text{BOPO} = \frac{\text{Biaya operasional}}{\text{Pendapatan operasional}}$$

Financing costs (Cost offs Fund)

The average cost of funds obtained by multiplying the number of funds with an interest rate of each source of funds is expressed by the following formula:

$$\text{Cost of Fund} = \frac{\text{Total Biaya Bank}}{\text{Total Dana Bank}} \text{X}100\%$$

Nett Operating Asset (NOA)

NOA or referred to as a ratio of operating assets analyzing the percentage of the assets of a company that is used to generate revenue (revenue). NOA in this study was measured by using the formula:

$$\mathbf{NOA} = \frac{\mathbf{Aset\ operasional}}{\mathbf{Aset\ total}}$$

Leverage

This study uses DEP to Equity Ratio (DER) is the ratio that measures the total liabilities to equity (equity Share). The formula used to measure leverage variables are:

$$\text{DER} = \frac{\text{Total Liabities}}{\text{Total Asset}}$$

Size

According Ghozali (2006) revealed that the assessment of the company size can use the benchmark's total assets. In this study, to determine the size of the company using a proxy for total asset, it is intended to reduce excessive fluctuations in the data.

size= LnTA

Growth

The company's growth can be measured by the ratio of the difference between the total assets in year t with total assets in year t-1 to total assets at t-1 ring, and so the size of the growth rate can be formulated as follows:

$$\text{Growth} = \frac{\text{Total aset t} - \text{Total aset t} - 1}{\text{Total aset t} - 1}$$

Population and Sample Research

The population in the study were banking companies listed on the Stock Exchange in 2013-2017. The technique used in this research is purposive sampling with criteria including: (1) the banking company listed on the Stock Exchange in 2013-2017; (2)Companies that publishes financial reports in a row in the period 2013-2017 expressed in rupiah; (3) Companies that have positive cash flow; (4) The Company provides complete data, as required in this study in order to obtain 20 banks from the sample of firms with research period 2013-2017. The analysis technique used in this research is descriptive and analytical sgtatistik regersei used Eviews program 10.

Analysis Method

Descriptive Statistics

Descriptive statistics are statistics used to analyze data in ways that describe or depict the data that has been collected as without intending to make conclusions apply to the public (Sugiono, 2014). Descriptive statistics was conducted to describe the whole of the samples taken in this study.

Coefficient of Determination

The coefficient of determination is a variation of the influence of the independent variables on the dependent variable, or it can also be said as a whole the proportion influence the dependent variable.

Suitability Model Selection Panel Data Regression Model

According Widarjono (2007: 258), there are three tests to select the panel data estimation techniques. First Chow test to choose between models common effect or fixed effect. Second, the Hausman test to choose between the fixed effect model or random effect is best in estimating panel data regression. Third Lagrange Multiplier test to make sure which model to use, basic do this test is when Chow and Hausman test results are not consistent.

Hypothesis testing

Conformance test model is used to determine the feasibility of regression models were used.

Significance t

Statistical test basically shows how far the influence of independent variables individually in explaining the variation of the dependent variable (Ghozali, 2012: 44).

4. Results and Discussion

4.1 Descriptive Statistics Analysis

Table 1: Descriptive Statistics Test Results

	Y1	Y2	R_KA	P_KA	AF	BOPO	COST_OF_...	NOA	LEV	SIZE	GROWTH
Mean	-1.00E-07	0.000171	0.802120	0.911011	3.57E+09	0.805738	0.545505	0.827956	0.849026	2.23E+14	0.155694
Median	-0.006160	0.007150	0.800000	0.950000	2.59E+09	0.820800	0.507739	0.836612	0.855120	1.06E+14	0.117203
Maximum	0.090530	0.270250	1.000000	1.000000	1.32E+10	1.437600	1.265571	0.964967	0.936502	1.13E+15	1.378566
Minimum	-0.052190	-0.236410	0.050000	0.480000	3.50E+08	0.224000	0.270242	0.657961	0.738900	4.17E+12	-0.074289
Std. Dev.	0.031448	0.081991	0.211992	0.116637	3.03E+09	0.141602	0.170618	0.063772	0.042709	2.86E+14	0.179402
Skewness	0.591750	0.303763	-2.865851	-1.599751	1.037019	0.700867	1.534822	-0.334678	-0.357751	1.714334	4.047945
Kurtosis	2.864249	4.082732	3.383039	5.023783	3.451132	10.30541	7.291945	2.710651	2.987331	4.904035	25.41708
Jarque-Bera	5.912916	6.422485	13.10631	59.71881	18.77147	230.5579	116.0146	2.215666	2.133771	64.08796	2366.953
Probability	0.052003	0.040306	0.001426	0.000000	0.000084	0.000000	0.000000	0.330274	0.344079	0.000000	0.000000
Sum	-1.00E-05	0.017060	80.21200	91.10110	3.57E+11	80.57380	54.55053	82.79557	84.90261	2.23E+16	15.56935
Sum Sq. Dev.	0.097909	0.665522	4.449121	1.346824	9.09E+20	1.985061	2.881933	0.402626	0.180581	8.10E+30	3.186335
Observations	100	100	100	100	100	100	100	100	100	100	100

Source: Eviews Output Vers 10.

Based on the test results of the descriptive statistics indicate that the dependent variable is the real earning management and accrual measured using revenue discresionary has a mean value of -1.00E-07 for management of real earnings, while mean value of 0.000171 for accrual earnings management. It show that the existence of earnings management practices in 2013-2017 is very small.

At GCG variables are proxied by the ratio of the number of audit committee members who have accounting backgrounds showed a mean value of 0.80 is showF count is smaller than the error rate of alpha error 0.05, then it can be said that the regression model estimated worth it, whereas if value prob. F count is greater than 0.05 then the error rate can be said to be not feasible.

On average banks have a member of the audit committee of 80% of the total members of the audit committee. For variable percentage of attendance at meetings of the audit committee showed a mean value of 0.91 shows nearly 91% of audit committee members always attend audit committee meetings. In the audit fee variable has a stand. Deviation 3.03E + 09 is smaller than the mean value of 3.57E + 09 shows amount value audit fees have almost the same range.

BOPO variable hased values mean0.80 its mean that banks in Indonesia in a healthy condition. At a variable cost of funds has a mean value of 0545, with a maximum value of 1265, indicating the high value of cost of funds the banks will choose accrual earnings management rather than real. NOA variable showed a mean value of 0827 indicates that 82% of banking assets generate revenue using.

4.2 Panel Data Regression Test Results

Panel Data Regression Analysis

The election results show random regression model effect model is the most appropriate model used mainly in this study. The results of panel data regression analysis with random effect model in Table 2.

Table 2: Regression Analysis of Real Earnings Management Panel Data Random Effect Model

Dependent Variable: Y1
Method: Panel EGLS (Cross-section random effects)
Date: 03/27/19 Time: 21:32
Sample: 2013 2017
Periods included: 5
Cross-sections included: 20
Total panel (balanced) observations: 100
Swamy and Arora estimator of component variances
Cross-section SUR (PCSE) standard errors & covariance (no d.f. correction)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.137644	0.146497	0.939570	0.3500
RKA	-0.006122	0.012709	-0.481697	0.6312
PKA	-0.000367	0.034049	-0.010788	0.9914
AF	-0.005911	0.006040	-0.978744	0.3303
BOPO	-0.027201	0.026595	-1.022786	0.3092
COST OF FUND	0.017873	0.017666	1.011689	0.3144
NOA	-0.089346	0.067650	-1.320715	0.1899
LEVERAGE	-0.013451	0.077019	-0.174644	0.8618
SIZE	0.002709	0.004591	0.590043	0.5566
GROWTH	0.035891	0.017868	2.008677	0.0476
Effects Specification				
			S.D.	Rho
Cross-section random			0.000000	0.0000
Idiosyncratic random			0.033162	1.0000
Weighted Statistics				
R-squared	0.094776	Mean dependent var		-1.00E-07
Adjusted R-squared	0.004253	S.D. dependent var		0.031448
S.E. of regression	0.031381	Sum squared resid		0.088630
F-statistic	1.046985	Durbin-Watson stat		1.906896
Prob(F-statistic)	0.409724			
Unweighted Statistics				
R-squared	0.094776	Mean dependent var		-1.00E-07
Sum squared resid	0.088630	Durbin-Watson stat		1.906896

The results of the panel data analysis in Table 2 may form a panel data regression equation as below:

RA = 0.137-0.006RKA-0.0003PKA-0.005AF-0.027BOPO + 0.017CostofFund-0.089NOA-0.013Lev + 0.002Size + 0.035Growth + e

Table 3: Regression Analysis Accrual Earning Management Panel Data Random Effect Model

Dependent Variable: Y2
Method: Panel EGLS (Cross-section random effects)
Date: 07/05/19 Time: 06:07
Sample: 2013 2017
Periods included: 5
Cross-sections included: 20
Total panel (balanced) observations: 100
Swamy and Arora estimator of component variances
Cross-section SUR (PCSE) standard errors & covariance (no d.f. correction)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.615141	0.290440	2.117966	0.0369
RKA	-0.051969	0.025498	-2.038204	0.0445
PKA	-0.058244	0.061763	-0.943027	0.3482
AF	-0.001105	0.013456	-0.082155	0.9347
BOPO	-0.097719	0.077133	-1.266886	0.2085
COST OF FUND	0.027917	0.039124	0.713534	0.4774
NOA	-0.252337	0.105250	-2.397505	0.0186
LEVERAGE	-0.379499	0.161494	-2.349920	0.0210
SIZE	0.002057	0.009250	0.222417	0.8245
GROWTH	0.196642	0.066975	2.936041	0.0042

Effects Specification

	S.D.	Rho
Cross-section random	0.000000	0.0000
Idiosyncratic random	0.070252	1.0000

Weighted Statistics

R-squared	0.284985	Mean dependent var	-0.001330
Adjusted R-squared	0.213484	S.D. dependent var	0.079636
S.E. of regression	0.070626	Sum squared resid	0.448921
F-statistic	3.985728	Durbin-Watson stat	2.095329
Prob(F-statistic)	0.000261		

Unweighted Statistics

R-squared	0.284985	Mean dependent var	-0.001330
Sum squared resid	0.448921	Durbin-Watson stat	2.095329

Source: Eviews Output 10

The results of the panel data analysis in Table 2 may form a panel data regression equation as below:

DR = 0.615-0.015RKA-0.058PKA-0.001AF-0.097BOPO + 0.027CostofFund-0.252NOA-0.379Lev + 0.002Size + 0.196Growth + e

Information:

DR Management accrual earnings
RKA : The ratio of audit committee members
PKA : Percentage of attendance at the meeting of the audit committee
AF : Audit fees
BOPO: Bank Health Level
Cost of Fund : The level of funding
NOA : Net Operating assets
Lev. : Leverage
Size: The size of the company
growth : Level petumbuhan companies

4.3 Hypothesis testing

4.3.1 Determination test

Based on the results of random effect model test method in Table 2 and 3, the value of Adjusted R2 (R-squared) management real earning amounted to 0.00425 and the value of Adjusted R2 (R-squared) accrual earnings management amounted to 0.2134. Thus, it can be seen that the variable GCG proxied by the effectiveness of the audit committee (the number of graduates of economic and attendance percentage meetings), audit fees, BOPO, cost of funds, NOA, Leverage, Size and Growth can explain earnings management Real conventional commercial banks in 2013-2017 amounted to 0,42%, while the remaining 99.58% influenced by other variables outside variables. For the value of R Squared 9:47% values obtained show that the effect GCG and cost components to real earnings management is not strong, it is because R Square has a correlation value <0:50.

4.3.2 Suitability Model

The regression analysis in Table 2 and 3, a significant value Prob (F-statistic) obtained at 0.409 for the real earnings management and 0.000261 for accrual earnings management. This value is less than 0.05 then H0 is rejected.

Ssignificance t

Basically, t statistical test indicates how influential independent variable dependent variable explained individually. From the results of Tables 2 and 3 obtained the following results:

1. Influence the effectiveness of the audit committee in this regard that have the educational background of accounting and audit committee meeting attendance percentage as an indicator of good corporate governance to the real earning management and accrual earnings management.

Based on the significance of the test results showed that the effectiveness of the audit committee seen from accounting educational backgrounds did not significantly affect to real earnings management but significant negative effect on accrual earnings management, which means that the hypothesis H1a H1b rejected and accepted.

This means that the effectiveness of the audit committee seen from many audit committee members who has a background in accounting education can improve the quality of the company's financial statements. It is the same with research Zang (2012) which states that companies prefer to use accrual earnings management and less use of real manipulation. This study is also consistent with agency theory which states that earnings management is one of the factors that can reduce the credibility of the financial report. With the number of audit committee members who have a background in accounting can minimize accrual earnings management practices and to enhance the credibility of financial statements.

The effectiveness of the audit committee views of the percentage of the audit committee meeting attendance showed a significance value of 0.99 for the real earnings management and the value of 0:34 for accrual earnings management. This means GCG seen from the audit committee meeting attendance percentage does not affect the real earnings management and accrual. This shows that the number of audit committee meetings are held may not restrict the practice of earnings management. As stated by Eva Vajriyanti et.al. (2016) that there are directors who are not willing to provide adequate information to the commissioner. This is causing the audit committee has limitations in conducting surveillance, so that will limit the ability of the audit committee in decreasing earnings management.

These results are supported by research conducted by Kumala (2014), Dwi astika (2014), Effendi and Daljono (2013), Anggraeni and Hadiprajitno (2013), Aji and Raharjo (2012), Knight (2013).

2. Effect Aduit fee to real earning managementand accrual earnings management

Based on the significance of the test results showed that audit fee had no significant effect on real income and accrual management, which means H2a and H2b rejected. This proves big or small audit fee that could be interpreted more expert or absence of an external auditor is not able to detect the motivation behind the policies conducted by the management and detect material misstatements. Management in selecting an auditor is not to reduce earnings management, but rather to increase the credibility of financial statements in the eyes of the financial statements of one investor and as a form of compliance with regulations set by the Bank. It can be seen from the audit fee granted by the Bank have almost the same magnitude and the use of audit services is already well-known (table 4.2 description analysis of real earnings management and accrual).

These results are supported by research Rianti (2017) and Agil Joko Trianto (2016) expressing the audit fee Risk Management had no effect on earnings.

3. Effect BOPO to the real earning management and accrual.

The results of this study indicate the health of banks proxied by the BOPO does not affect the real earnings management practices as well as accrued on the bank, this means H3a and H3b hypothesis is rejected. This proves that bank health level proxied by the BOPO has not illustrated bank efficiency in business. Bank of doing earning management is not viewed from BOPO as proposed by Gonan Sumardi (2018).

Bank Indonesia as the regulator issued regulations related to the level of bank health assessments in an integrated manner to prevent financial distress, Judging from BOPO value that indicates the average bank is in good health (Table 4.2 analyzes the description of real earnings management and accrual) so that little bank earning management. The results of this study are supported by previous studies conducted by Wirawan (2013) and Tomy (2014).

4. The effect of financing costs (cost of fund) to the real earning management and accrual

The results showed cost of fund does not affect the real earnings management practices and accruals, this means H4a and H4b hypothesis is rejected. So it can be concluded that the effect of the cost of fund issued by the bank does not reduce earnings management practices at banks. Banks in real terms and accrual earnings management does not see the costs to banks to earn income but look beyond the cost of the financing costs as proposed by Agil Joko (2016).

5. Effect on earnings management NOA real and accruals

The results of this study concluded that there is no significant effect on the real earnings management but significant negative effect on accrual earnings management, this means H5a H5B rejected and accepted. From these results we NOA can be considered the bank as a management fee accrual earnings, the reason there is efficient use of NOA to earn revenue using accrual that changes in the method and accounting estimates, because there are limitations in changes in the methods and accounting estimates for banks in Indonesia based on the guidelines of PSAK used of these things as revealed by Rianty (2017).

The results are consistent with research conducted by conducted by Geraldina (2017) and Febriaba (2013) which states that the NOA has a significant relationship to the real earning management and accrual.

5. Conclusion

Based on the description above can be summarized as follows:

1) Good Corporate Governanceproxied by either the audit committee effectiveness as measured by the educational background of the audit committee members as well as the audit meeting attendance rate does not affect the real earnings management. As for earnings management accrual accounting educational backgrounds negative significant effect while the audit meeting attendance percentage has no effect. This proves that more and more members of the audit committee who has a background in accounting education can lower accrual earnings management practices.
2) Variable audit fee, cost of funds, BOPO has no effect on the real earnings management and arual. As for the variable NOA does not affect the real earnings management but significant effect on earnings management negative accrual.
3) This study does not prove the existence of the trade off between real earnings management and accrual.

6. Suggestion

Judging from the adjusted R-squared value that is very small both real earning management and accrual for future research to expand the independent variables were used as factors that could affect the dependent variable outside of the variables that have been used in this researcher so is has different result.

Besides population and sample, can also be done on the type of non-bank finance companies, such as company finance companies, Leasing, cooperatives, pawnshops and others. So as to enrich the results achieved in the study of other finance companies.

Selection of the sample in this study using purposivesampling so that companies that serve as the sample is limited to the specified criteria. This becomes a limitation as far samples used so that the results obtained are less able to represent the existing company.

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