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Earning on Response Coefficient in Automobile and Go Public Companies

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Abstract

This study aims to analyze factors that influence earnings response coefficients (ERC), simultaneously and partially, composed of leverage, the systematic risk (beta), growth opportunities (market to book value ratio), and the size of the firm (firm size), selection of the sample in this study the author take 12 automakers and components that meet the criteria of completeness of the data from the year 2008 to 2012, entirely based on consideration of the following criteria: (1) the company's automotive and components are listed on the stock exchange, (2) have the financial statements years 2008-2012 (3) has a return data (closing price) the first day after the date of issuance of the financial statements. This study uses secondary data applying multiple linear regression models to analyze and test the effect of independent variables on the dependent variable partially (t-test), simultaneous (f-test), and the goodness of fit (R-square) on a research model. The result shows that leverage, beta, growth opportunities (market to book value ratio) and size along with (simultaneously) the effect on the dependent variable (dependent variable) earnings response coefficients. Partially leverage negatively affect earnings response coefficients, partially beta negatively correlated earnings response coefficients, partially growth opportunities (market to book value ratio) significant effect on earnings response coefficients, partially sized companies (firm size) significantly influence earnings response coefficients

Keywords: earnings response coefficients, leverage, systematic risk (beta) Growth opportunities, size of the company

Introduction

Statement of financial accounting standards (IAS) 1 states profit has benefits for assessing management performance, helping to estimate representative earnings capacity in the long terms, it forecast earnings and assess risks in investments or loans (FASB, 1985; Fainshmidt, 2017). One of the elements in the financial statements of the most widely observed and awaited information is an income statement, a report that provides information on profits (earnings) achieved by the company during the period (Vakharia, 2017). Profit achieved by a company is one measure of the performance and consideration by investors or creditors in making investment decisions or to provide additional credit, firms reporting high profits will certainly encouraging investors to invest because they will get paid on the each shareholding owned (Gianni 2017; Brown, 2017; Berchicci, 2017). Earnings information is a reference for investors to invest to the company for earnings, positive or negative, obtained from the company's income statement will affect stock returns. The magnitude of this effect will be low, especially for a negative earnings (loss). Generally in knowing good earnings quality can be measured using earnings response coefficient (ERC), which is a form of measurement in the information content of profit. Definition of earnings response coefficients (earnings response coefficient) is defined as the effect of each dollar of unexpected earnings on stock returns, and is usually measured by the coefficient of the regression slopa abnormal stock returns and unexpected earnings.

More specific research examining the ERC performed by Andayani (2007) on the factors that affect earnings response coefficient in companies listed in Jakarta Stock Exchange. By using some of the factors that is always associated with the ERC on previous research, the study tried to find out the relationship or influence the persistence of earnings, capital structure, beta or risk, growth opportunities and the size of the company with earnings

response coefficient. With such thinking that the more permanent income changes over time, the higher the profit coefficient because this condition indicates that the profits from the company is continuously increasing, apart from that relation to the capital structure.

Other research on the factors that influence the ERC conducted by A. Zubaidi Indra Agus Zahron, Ana Rosianawati (2008). Of the four factors that can affect the quality of earnings is only beta and market to book value ratio has a significant influence on the risk of earnings quality, while other variables, namely leverage and size did not significantly affect the quality of earnings, but empirically, a significant difference between levarage independent variables, beta, market-book value ratio, as well as firm size together against ERC on the property and real estate company listed on the Indonesia Stock Exchange in 2004-2008.

Based on the above background, the authors are keen to re-analyze the factors associated with the ERC. In a previous study tested several variables that provide different results. Assuming context, research time and the object or the sample under study is different, so the research can yield different conclusions. The factors used in this study is the leverage, proxied systematic risk in the market beta, opportunity grow proxied by the market to book value ratio, and the size of the company (firm size). The formulation of research problems are is leverage, beta, growth opportunities, and firm size earnings response coefficient effect on either partially or simultaneously? The purpose of this study was to test is there a leverage effect, beta, growth opportunities, and firm size of the earnings response coefficient either partially or simultaneously, against earnings response coefficient (ERC).

Signaling theory in this study explained that the management of the company as a party that gives a signal which contains information on income in the financial statements. Signal theory states that the company

is of good quality would deliberately give a signal to the market in the form of information, so the market is expected to differentiate good and bad quality. If the earnings announcement as a signal of good (good news) for investors, the rise in corporate profits, then the reaction brought to the stock price is rising stock prices, and vice versa.

Financial Statements and Annual Report

Definition of Financial Statements in accordance with Financial Accounting Standards (GAAP) in the convergence to IFRS as issued by the Institute of Accountants Indonesia (IAI), namely: "Financial Reports section of the financial reporting process. Complete financial statement normally includes: statements of financial position, income comprehensive statement, changes in the position of the financial presented in different ways (such as a cash flow statement or fund flows), notes and other reports an explanatory material that are an integral part of these financial statements. Besides including the schedule and additional information related to the report, for example, the financial information industry and geographical segments and the disclosure of the effect of price." It has been supported the argument that the annual report and the financial statements (financial report) as a primary means of delivering information by management to parties outside the company (Lin, 2017; Detthamrong, 2017). The annual report aims to communicate the financial condition and other information to shareholders, creditors and other stakeholders. The financial statements are an important tool for investors to know the progress of the company periodically. The sooner investors published financial reports are audited financial statement or the financial anaudited statment, the more useful for investors (Abdin, 2017; Papadamou, 2017; Vo, 2017).

Earnings Response Coefficient (ERC)

Earnings quality may be indicated as the ability to gain information provide a respons to the market. In other words, earnings reported have a response force (power of response). The strong market reaction to earnings information reflected by the earnings response coefficients (ERC) shows the quality of reported earnings. Scott (2000) and Etty (2008) states that the Earnings Response Coefficient (ERC) measures how much stock returns in response to the profit figures reported by the companies that issue securities. In other words, earnings response coefficient (ERC) is a reaction to the earnings was announced (published) by the company. This reaction reflects the quality of a company's reported earnings. And the level of earnings response coefficient (ERC) is determined responsive power that is reflected from the information (good / bad news) contained in profits. Earnings response coefficient (ERC) is one measure or proxy is used to measure the quality of earnings (Collins et al., 1984).

Companies with high leverage level means having greater debt than capital. Thus, if an increase in the income benefit is the debtholders, because the debtors have faith that the company will be able to make payments on the debt. However, this will be responded negatively by investors because investors will assume that the company will be more profitable because more priority creditors debt repayment rather than payment of dividends. In doing so the better the condition of corporate profits, the more negative the response of shareholders. Results of tests performed by Mulyani et al. (2007) showed that financial leverage significantly affect the earnings response coefficient (ERC).

Etty (2008) states there are negative effect between coeficient Leverage Response to Earnings (ERC). Dhaliwal in line with the results of their research, Lee and Farger (1991) in Etty (2008), which prove that Leverage negatively affect earnings response coefficient that is Earnings Response Coefficient (ERC).

H1 : There is a negative impact of leverage, on Earnings response coefficient

Investors will reduce the level of risk acceptance by considering the specific risk of a company in making investment decisions. Sensitivity of investors to information about the company little risk will be greater for companies with less risk more credible (Palupi, 2006). Mulyani et al. (2007) shows that the risk systematic negatively related to the ERC. In line with research by Collins and Kothari (1989) that the risk showing the variation between companies, and risk-free interest rate which shows the variation over time empirically proven significant negative effect to the earnings response coefficient. Different with the research that was done by Margaretta Jati Palupi (2003) suggest a significant difference between systematic risks (beta) to Earnings response coefficient.

H2: There is a positive influence between beta, on earnings response coefficient

Collins and Kothari (1989) argue companies that have greater growth opportunities will have higher earnings response coefficient. This condition indicates that the greater the opportunity to grow the company, the higher the chance of companies gain or increase profits from the company in the future. Another study conducted Andyani and Mulyani (2007) suggests there is significant influence between growth opportunities (market to book value ratio) against partially earnings response coefficient.

H3: The opportunity to grow significantly influence the earnings response coefficient Company size is a proxy of price informativeness. Large enterprises are considered to have more information than small enterprises. Consequently the more informative stock prices then the lesser charge current earnings information. Nevertheless Easton and Zmijewski (1989) shows the amount of the company is not a significant explanatory variable for the earnings response coefficient other. Research performed by

Sri Mulyani, Nur Fun and Andayani (2007) reported significant effect on earnings firm size partial response coefficient.

H4: The size of the company a significant effect on earnings Coeefficient response

In his research, A. Zubaidi Indra, Agus Zahron and Ana Rosianawati (2011) empirically find a significant difference between the independent variables include the leverage factor, beta, market to book value ratio, as well as firm size against quality of earnings (earnings response coefficient) simultaneously.

H5: There is a positive influence between leverage, beta, growth oppurtunities (market to book value ratio) firm size of the coefficient simultaneously earnings response coefficient response simultaneously.

Framework
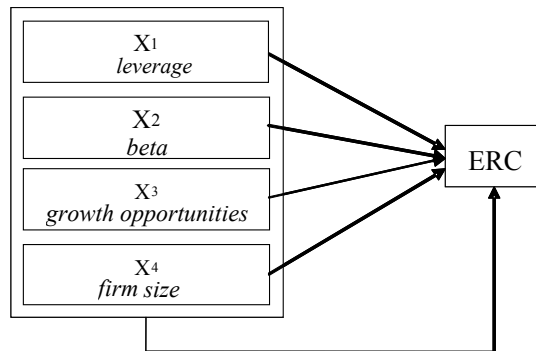
The population used in this study is a publicly traded company on the Indonesian Stock Exchange (BEI). The study period covers a period of five years. How sampling by purposive sampling or judgment in order to see the effect of the three variables and components to the automotive industry. The data used in this research is secondary data, that the financial statements were obtained from the Capital Market Reference Center Indonesia Stock Exchange. The annual financial statements issued by companies of automotive and components are listed on the Stock

Exchange, Indonesian Capital Market directory is (ICMD), JSX Statistics, IDF Quarterly Statistics, IDX montly Statistics, Fact Book and list the Securities Exchange (EFD).

To select the sample, the author took 12 automakers and components that meet the criteria of completeness of the data from the year 2008 to 2012, entirely based on consideration of the following criteria: automotive and components companies listed on the Stock Exchange; have the financial statements for 2008-2012; and has a return data (closing price) the first day after the date of issuance of the financial statements.

Variable of Operational Research

Table 1
Variable Operationalization

Variables	Sub Variables	Indicator	Scale	Reference
1. Dependent Variable (Y)				
Earnings Response coefficient (ERC) (Y) CARit = α0 + α1UEit + εit	CAR	• *Anormal return* securities i the event period to t • *Return* stock i the event period to t • *Return* expectations securities I to the event period to t $CAR_{i,t}[t1-t2]=\sum AR_{i,tt=t1}$	Ratio	Brown and Warner, 1985 Suaryana (2004)

Response	UE	• Unexpected earnings company's iin the period (years) t • Profit accounting company'si in period (years) t • Profit accounting company's I in the period (years) before (t-1) • $UE_{it} = \dfrac{(E_{it} - E_{it} - 1)}{E_{it} - 1}$		
2. Independent Variables (X)				
a. *leverage* (X1)	*DAR*	• Total Amoun of debt • Total aseet • $Lev_{it} = \dfrac{TU_{it}}{TA_{it}}$	ratio	Dhaliwal (1991)
b. Systematic risk (*beta*) (X2)	Beta	• Return firm i year I • Beta is the measure koefisein Ri changes due to changes in Rm • Return market in i Rit = αi + βit RMT + εit	Ratio	Hartono, 2003
3. *Growth Opportunities* (Market to book value ratio) (X3)	Market - to - book valueratio	• The market value of equity • The book value of equity • The market value of equity • The book value of equity		Jaswad 2003
4. The size of the firm (Firm Size), (X4)	Natural logarithm (Ln) Total Activa	• Total Activa	Ratio	Collins and Kothar, 1989

Multiple linear regression analysis is an analysis that is used to find an association between two or more independent variables on the dependent variable. The model used in this study:

ERCit = β0 + β2LEVit 1 + β3Betait + β4MBit + β5SIZEit + εit

Information :

ERCit = Coefficient company earnings response *i* in period t

Levit   = The capital structure of the company *i* in period t

Betait = Systematic risk (beta) companies *i* in period t

MBit   = Growth Companies *i* in period t

SIZEit = Size Companies *i* in period t

Multiple linear regression

Processing of data by multiple linear regression analysis, to see the effect of leverage, beta, Market to book value ratio, Firm Size and mathematical approach as follows:

Y = a + b1x1 + b2X2 + b3X3 + b4X4

Information :

Y   = *Earnings response coefficient*

a   = constants

b1   = regression coefficient *leverage*

b2   = regression coefficient beta

b3   = regression coefficient Market To book value ratio

b4   = The regression coefficient *size*

X1   = *leverage*

X2   = beta

X3   = *Market to book value ratio*

X4   = *size*

Here is how to detect the symptoms of deviation from the classical assumptions above third. Multicolinearity, to test multicolinierity to see VIF = 1 / (1-r2), if close to 1 means multikol harmless (Gujarati, 1995). Autocorrelation, to detect the presence of symptoms can be used autokolerasi Durbin-Watson test test. Heterocedastity, to detect heterokedastisitas can be done by Spearman rank correlation test. Statistical descriptions provide an overview or a description of the data shown in the average value (mean), standard deviation, variance, maximum and maximum and skewness (skewed distribution). The following will explain more about Leverage, Beta, Growth and Firm Size oportunities in companies' otomitif and components are listed on the Stock Exchange during the years 2008-2012.

Table 2
Descriptive Statistics Test Results
Descriptive Statistics

	N	Minimum	Maximum	mean	Std. deviation
ERC	60	-14.13	7:08	-3.0830	8.82402
LEVERAGE	60	.17	.91	.5218	.19065
BETA	60	-1.82	1.71	.9444	.42286
GROWTH	60	.22	9:04	1.7138	1.59391
SIZE	60	25.65	32.84	28.4190	1.74607
Valid N (listwise)	60				

From the above data, it shows that the value of n as the enterprise data used in the study of 60 samples. Earnings response coefficient has a minimum value of -14.13; the maximum value of 7.08; the average value of -3.08; and a standard deviation of 8.82. Thus the average growth in earnings response coefficient reaches only -3.08 per year. Leveragehas a minimum value of 0.17; The maximum value of 0.91; the average value

of 0.52; and a standard deviation of 0.19. This means that the average asset growth only reached 52%. Beta *(risk)* has a minimum value of -1.82; the maximum value of 1.71; the average value of 0.94; and a standard deviation of 0.42. Therefore, the level of systematic risk reached an average below 1, relatively low compared to the average level of risk in the Indonesia Stock Exchange. Growth opportunitieshave a minimum value of 0.22; the maximum value of 9.04; the average value of 1.71; and a standard deviation of 1.59. Similarly, the rate of sales growth expectations for annual average only reached 1.17% at a standard deviation of 1.59% also remains relatively low throughout the study period, for the year 2008 to 2012 there was a crisis of the world, so it is very volatile.Firm *size*has a minimum value of 25.65; the maximum value of 32.84; the average value of 28.41; and a standard deviation of 1.74. Therefore, the asset growth reached an average of 28.41% is relatively high compared to the industry average is 5 to 10% per year

From processing the data above, it can be concluded that the condition of the company's growth Automotive and Components during the study period showed growth in relatively low compared to the average growth in industrial companies.

Test Results

Figure 1
Normality Test Results

Normal P-P Plot of Regression Standardized Residual
Dependent Variable: ERC
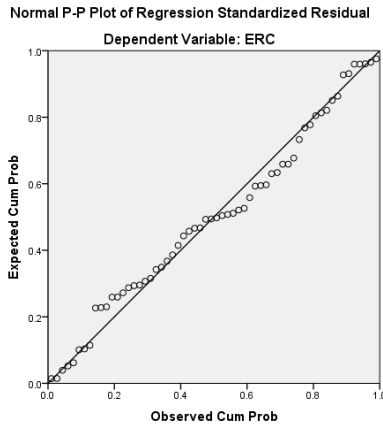
At the output of SPSS version 20.0, PP Plot of Regrassion the data dots tend to follow a straight diagonal line, then the data can be considered normally distributed or meet the assumption of normality.

Table 3
Test Results Multicollinearity

Model B	Coefficients Unstandardized		Standardized Coefficients	T	Sig. Tole-rance	Collinearity Statistics	
	Std. Error	Beta				VIF	
(Constant	1,763	4120		.428	.000		
LEVERAGE	-8202	3502	-1182	-5818	.000	.982	1,018
1 BETA	-3081	3,425	-.112	-.899	.372	.928	1,078
GROWTH	4078	1,834	.232	2,224	.030	.654	1,528
SIZE	9447	3272	.526	2887	.006	.632	1,582

Based on the above table shows that the variable Earnings Response Coefficient (ERC), Leverage, Beta, Size Growth opportunities and VIF value is below 10 and the value of tolerance showed no independent

variables that have a tolerance value of less than 0.1; thus these variables did not happen multicollinearity.

Figure 3
Test
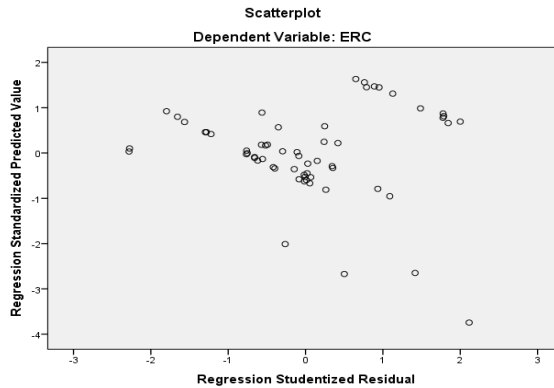
Based on the picture above it can be concluded that there is no clear pattern, and dots spread and does not form a specific pattern, it does not happen heterokedastisitas.

Table 4
Test Results Autocorrelation
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.712a	.668	.622	4.30350	2,036

a. Predictors: (Constant), GROWTH, SIZE, BETA, LEVERAGE

b. Dependent Variable: ERC

From result output table above, it can be seen that the value of Durbin-Watson resulting from the regression model is 2,036. While the table with significance α DW 0:05, the number of data n 60 and k is 4, the value of 1.4443 dL and dU at 1.7274. Rated 4-dL by 2.5557 and 4-dU value of 2.2726. It can be concluded that the value of dU <DW <4-du or

1.4443 <2.036 <2.2726, meaning that no autocorrelation.

Test Results Statistics

Partial test (t_count test)

Table 5

Regression Coefficients

Model B	Coefficients Unstandardized		Standardized Coefficients	T	Sig.
	Std. Error	Beta			
(Constant)	1,763	4120		.428	.000
LEVERAGE	-8202	3502	-1182	-5818	.000
1 BETA	-3081	3,425	-.112	-.899	.372
GROWTH	4078	1,834	.232	2,224	.030
SIZE	9447	3272	.526	2887	.006

a. Dependent Variable: ERC

Partial test results (test of t-count) for each variable, as follows: *first,* the results of the partial testing of the effect of Leverage *Earnings Response Coefficient* (ERC) show t significance of 0,000 smaller than the 0.05 level, so statistically significantly influence Leverage to *Earnings Response Coefficient* (ERC), the coefficient is negative it means between Leverage and *Earnings Response Coefficient* (ERC) associated negative, it shows that if leverage increases, *Earnings Response Coefficient* (ERC) decreased. *Second,* Beta influence on the test results of the *Earnings Response Coefficient* (ERC) showed significant t 0.372 greater than the 0.05 level, so statistically partially Beta has no effect on *Earnings Response Coefficient* (ERC). *Third,* partial test results G*rowth opportunities* to *Earnings Response Coefficient* (ERC) 0,030 t show significantly smaller than the significant level of 0.05, so statistically growth opportunities significantly affect *Earnings Response Coefficient* (ERC), Marked positive coefficient means betweengrowth opportunitiesand *Earnings Response Coefficient* (ERC) positively related,

suggesting that if growth opportunities increases, *Earnings Response Coefficient* (ERC) also increased.

Fourth, size of the partial test results *Earnings Response Coefficient* (ERC) showed significant t 0,006 smaller than the 0.05 level, so statistically significant effect partially size with *Earnings Response Coefficient* (ERC), The coefficient is positive, it means between the size and*Earnings Response Coefficient* (ERC) positively related, suggesting that if the Size increases, *Earnings Response Coefficient* (ERC) also increased. Based on the above table, the model of multiple linear regression equation was obtained:

$$Y = 1{,}763 - 8{,}202X1 - 3{,}081X2 + 4{,}078X3 + 9{,}447X4$$

From the results of the multiple linear regression equation, each independent variable can be interpreted influence on *Earnings Response Coefficient* (ERC). If *leverage* (X1)*, Beta* (X2)*, Growth opportunities* (X3) and Size (X4) is equal to zero, then the value *Earnings Response Coefficient* (ERC) (Y) of 1,763. Any increase *leverage* (X1) of 1 percent and other independent variables constant, *Earnings Response Coefficient* (ERC) decreased by 8.20%. *Earnings Response Coefficient* (ERC) decreases. Each increase of 1 unit Beta and other independent variables constant, *Earnings Response Coefficient* (ERC) decreased by 3,081 percent. The coefficient is negative means going negative relation between the DAR with abnormal stock returns, increasing beta (risk), and *Earnings Response Coefficient* (ERC) drop. Any increase in G*rowth opportunities* a 1 percent and other independent variables constant, the abnormal stock returns increased by 4.078 percent. The coefficient is positive, meaning a positive relationship between opportunities to grow with *Earnings Response Coefficient* (ERC), Getting up *growth opportunities,* then *Earnings Response Coefficient* (ERC) more increasing. Size each increase of 1 percent and other independent

variables constant, *Earnings Response Coefficient* (ERC) an increase of 9.47 percent. The coefficient is positive, meaning a positive relationship between the Size and *Earnings Response Coefficient* (ERC), Getting up Size, *Earnings Response Coefficient* (ERC).

Simultaneous Test (F$_{count}$ test)

Table 6
ANOVA Variant Analysis
ANOVA[a]

Model		Sum of Squares	Df	mean Square	F	Sig.
	Regression	1049.842	4	262 461	4,172	.000b
1	Residual	1018.605	55	18 520		
	Total	2068.448	59			

a. Dependent Variable: ERC
b. Predictors: (Constant), GROWTH, SIZE, BETA, LEVERAGE

Based on table 6 above, using a 95% confidence level, a = 0.05, df 1 (the number of variable -1) = 4, df 2 (n-k-1) = 55 (60-4-1), the obtained results F study of 4,172. Values obtained 0,000[b] significance. This value is smaller than level of α 0.05. Thereby simultaneously from *Leverage, Beta,* Growth opportunities and Size significant effect on *Earnings Response Coefficient* (ERC). Rated R square (R2) or the coefficient of determination is used to measure the ability of the model to explain variations in the dependent variable. R2 value is between zero and one. The R2 little ability of independent variables in explaining the dependent variable is very limited. A value close to one significant independent variable provides all the information needed to predict variations in the dependent variable. Results of testing the hypothesis terminated can be seen in Table 4.6 below.

Table 7
The value of R Square Hypothesis
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.712a	.668	.622	4.30350

a. Predictors: (Constant), GROTWH, SIZE, BETA, LEVERAGE

From the results of hypothesis testing known to the R value of 0.712 (close to one) means there is a very strong relationship between *Leverage, Beta,* Growth opportunities and Firm Size to *Earnings Response Coefficient* (ERC), Adjusted R Square of 0.622, means that the direct influence of independent variables on the dependent variable amounted to 62.2%, while 37.8% are influenced by other factors outside the model which is not included in this study were categorized as an error. Standard Error of the Estimate determines the number of errors in a regression model to predict the value of Y. From the regression results obtained value of 4.3035 (unit *Earnings Response Coefficient*), It means the number of errors in mempediksi *Earnings Response Coefficient* (ERC) at 4.3035.

Hypothesis one (H1) to determine the effect of independent variables (independent vaiable) Leverage partially on the dependent variable (dependent vaiable) *Earnings Response Coefficient* (ERC). Table *distribution*t at a = 0.5, the degrees of freedom (df) 60-4-1 = 55, with a two-sided test (significance 0.05) was obtained t table of 2.004, based on table 4.5, t research by 5.818t count> t table (5818> 2,004), then accept and reject Ho Ha, meaning partially significant effect between leverage against *Earnings Response Coefficient* (ERC); because the coefficient is negative, then the negative effect on Earnings Leverage Response Coefficient (ERC).

Hypothesis two (H2) determine the effect of the independent variable (independent variable) Beta partially on the dependent variable

(dependent variable) *Earnings Response Coefficient* (ERC). Distribution table *t* at a = 0.5, the degrees of freedom (df) 60-4-1 = 55, with a two-sided test (significance 0.05) was obtained t table of 2.004, based on table 4.5, t research at 0.889. t count<t table (0.889 <2.004), then reject Ha and accept Ho, meaning that partially Beta has no effect on*Earnings Response Coefficient* (ERC). The coefficient is negativethen Beta negatively correlated to the Earnings Response Coefficient (ERC).

Hypothesis three (H3) determines the effect of independent variables (independent vaiable) G*rowth opportunities*partially on the dependent variable (dependent vaiable) *Earnings Response Coefficient* (ERC). Distribution table t at a = 0.5, the degrees of freedom (df) 60-4-1 = 55, with a two-sided test (significance 0.05) was obtained t table of 2.004, based on table 4.5, t study of 2,224. t count > t table (2,224> 2,004), then accept Ha and reject Ho, meaning partial G*rowth opportunities* significant effect on *Earnings Response Coefficient* (ERC).

Hypothesis four (H4) determines the effect of independent variables (independent vaiable) Firm Size partially on the dependent variable (dependent vaiable) *Earnings Response Coefficient* (ERC). Distribution table t at a = 0.5, the degrees of freedom (df) 60-4-1 = 55, with a two-sided test (significance 0.05) was obtained t table of 2.004, based on table 4.5, t research at 2.887. t count> t table (2.887> 2.004), then accept Ha and reject Ho, that is partiallyFirm Size significant effect on the *Earnings Response Coefficient*(ERC). Hypothesis five (H5) to determine the effect of all independent variables consisting of *Leverage, Beta,* Growth opportunities and Firm Size together on the dependent variable (dependent variable) *Earnings Response Coefficient*(ERC).

By using a 95% confidence level, a = 0.05, df 1 (the number of variables -1) = 4, df 2 (n-k-1) = 55 (60-4-1), the obtained results F table 2,54. Meanwhile, based on the study table F 4 obtained by 4,172. F

research> F table then accept Ha and reject Ho. That is to say *Leverage, Beta, Growth opportunities* and *Firm Size* simultaneously influence *Earnings Response Coefficient* (ERC). Based on the research, the regression equation on the hypothesis of a single during the observation period (2008-2012) display the test results by using variable Leverage (X_1) significant negative effect on *Earnings Response Coefficient* (Y). The results of the t test showed t research greater than t table, it means accepting Ha and rejecting Ho. The coefficient is negative; thus it can be concluded that partial leverage proxied by the Debt to Asset Ratio (DAR) significant negative effect on *Earnings Response Coefficient*, this means that the higher the debt the company will be seen as a burden to be borne by the company.

Leverage the automotive companies that negativelythis is because the average long-term debt has decreased, while the assets of the company increased, so that the ratio of long-term debt to assets is getting smaller. This study supports the idea Dhaliwal et al. (1991) and Sri Mulyani (2003) that indicates earnings response coefficient negatively related to the level of leverage.

The test results using a Beta variable (X_2) showed no effect on *Earnings Response Coefficient* (Y). The results of the t test showed t research less than t table, it means to accept Ho and reject Ha. Beta has no effect on Earnings Response Coefficient (ERC), this proves that the investors in the automotive company does not see a risk factor as an obstacle to investing. This is evident in the development of sales are growing. By looking at these developments optimistic investors will get returns in the future. Based on the results of beta on automotive companies on average is still below 1 (one). This indicates that investment in automotive companies risk level is still small, so that investors do not have this concern. The results of this study are consistent with the results Chandarin (2003) supported by the results of research conducted by Harahap (2004), and Jaswadi (2004) which concludes that the systematic risk does not give effect to the ERC.

The test results using variables *growth opportunities* (X_3) shows the effect on*Earnings Response Coefficient* (Y). The results of the t test showed t research greater than t table, it means accepting Ha and rejecting Ho. The results show that the automotive company that has a great growth opportunity will have a high ERC. This condition indicates that the greater the opportunity to grow the company, the higher the chance of Companies gain or increase profits from the company in the future. In the automotive company is characterized by increased investment as indicated by the increase in places of assembly such companies across the region and the high increase in sales, this shows the growth of the company rose sharply.

Growth opportunities provided by the Price to Book Value Ratio (PBVR). The study finds consistentency with Collins and Kothari (1989), which shows that companies that have greater growth opportunities will have erning Response Coefficient (ERC) tall. The test results using variables Firm Size (X_4) shows the effect on *Earnings Response Coefficient* (Y). The results of the t test showed t research greater than t table, it means accepting Ha and rejecting Ho. Result of this research shows that based on the company's growth large will be more likely to do the income smoothing practices than smaller companies, because large companies tend to get more attention from investors than small companies. Instead the company that has great assets which are then categorized as major companies in the automotive and components, for example Astra Int'l Tbk, and Indomobil in the automotive field and Goodyear Indonesia Tbk in the field of component generally will get more attention from various parties such as investors, and the government. Thus a large total assets reflects Earnings Response Coefficient Good, so the size of the company's influence on Earning Response Coefficient. This study proves that the size of the company is a significant explanatory variable for earnings response coefficient.

Based on the research that has been done, from the regression equation on the hypothesis of five during the observation period (2008-2012) shows that the test results by using variable Leverage (X_1), Beta (X_2), *growth opportunities* (X_3), Size (X_4). The results of the t test showed t research greater than t table, it means accepting Ha and rejecting Ho. That is to say *Leverage, Beta,* Growth opportunities and Firm Size simultaneously influence *Earnings Response.*

Conclusion

This study can be concluded as follows: *leverage* proxied by the Debt to Asset Ratio (DAR) significant negative effect on *Earnings Response Coefficient*; systematic risk (*beta*) had no effect on Earnings Response Coefficient (ERC); chance growth (growth opportunities) that proxied by Price to Book Value Ratio (PBVR) significant effect on *Earnings Response Coefficient*; size of company (Firm Size) significantly influence *Earnings Response Coefficient*; and the test results simultaneously by using all independent variables are Leverage, Beta, and Firm Size Growth opportunities showed positive and significant impact on the Earnings Response Coefficient (ERC).

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