ABSTRACT
The information of profit in the financial statements is the major concern to estimate how good the performance or responsibility of the company management is. When the company fails to achieve the expected profits, the managers can be triggered to take unhealthy actions in the company such as earnings management. Earnings management is done to create a good image of the company's financial statement, so investors will not gain negative opinions about the company and will be interested in making investment. Therefore, investors need some education, so they will not take wrong actions in their investment activities in the stock exchange. The objective of the research was to find out and analyze the factors which influenced the management of manufacturing companies of food and drink listed in the Indonesia Stock Exchange in the period 2013-2016 by examining and analyzing the influence of the proportion of independent commissariat board, auditing committee, institutional ownership, firm size, leverage, and profitability with quality as the controlling variable auditing on earnings management. The population was all manufacturing of food and drink companies listed in Indonesian Stock Exchange in the period 2013-2016 with a total of 16 companies. There were 11 companies from each year in this period taken as the samples by employing purposive sampling technique, so there were 44 companies in total that were analyzed by applying multiple linear regression analysis models. The hypothesis was tested by using Test and f Test. Based on the suggestion from previous research ice, this research Contributed by adding independent variable s; namely, profitability, firm size and leverage on earnings management with result s demonstrated that institutional ownership and firm size had a positive and significant influence on earnings management while leverage by proxy in the debt to equity ratio had a negative and significant influence on the earnings management with auditing quality as the controlling variable in the manufacturing companies of food and drink listed in the Indonesia Stock Exchange for the period 2013 to 2016.

Key Words: Earning Management, Proportion of Independent Commissariat Board, the Auditing Committee, Institutional Ownership, Firm Size, Leverage, Profitability, and Auditing Quality.

1. INTRODUCTION
Earnings management is an agency problem that often occurs in a business environment. Earnings management, which is often known as earnings management, is an
intervention that is intentionally carried out by managers in the process of preparing financial statements, by increasing or decreasing profits without being associated with an increase or decrease in the company's economic profitability in the long run. Earnings management practices have occurred in one food and beverage sub-sector manufacturing company, namely PT. Ades Alfindo in Indonesia. This case was revealed when the new management of PT. Ades found an inconsistency in recording sales for the 2001-2004 period. Previously in June 2004 management changes occurred at PT. Ades with the entry of Water Partners Bottling Co. (the joint venture of The Coca Cola Company and Nestle SA) with share ownership of 65.07%.

Earnings management actions are carried out so that the company's financial statements always look good so that investors do not give a bad view and will be interested in investing in the company. So it is necessary to educate investors to better understand what earnings management is, as well as various elements that can affect earnings management, so that investors do not misstep their investment activities on the floor of the stock exchange.

For this reason, the author wants to examine several factors - factors that can affect earnings management so that this study is entitled **Analysis of Factors Affecting Earnings Management in Manufacturing and Food Sub-Sector Manufacturing Companies Listed on the Indonesia Stock Exchange Period 2013-2016.**

**Research purposes**

The purpose of this study was to determine and analyze the positive influence of the proportion of independent commissioners, audit committee, institutional ownership, company size, leverage, profitability on earnings management in the food and beverage sub-sector manufacturing companies listed partially in the 2013-2016 Indonesia Stock Exchange and simultaneous.

**Hypothesis**

1. It is assumed that there is a positive influence in the proportion of independent board of directors, audit committee, institutional ownership, company size, leverage, profitability partially affects earnings management.
2. It is suspected that there is a positive influence of the proportion of independent board of directors, audit committee, institutional ownership, company size, leverage, profitability simultaneously affect earnings management.

**2. METHODS**

This research is a causal research that aims to analyze the effect of independent variables on the dependent variable by using the control variable. The dependent variable in this study is earnings management. The independent variable in this study is the proportion of independent commissioners, audit committee, institutional ownership, company size, leverage and profitability, and audit quality as a control variable. Data collection method in this study is documentation of secondary data needed in the form of financial statements of food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the period 2013-2016.
The multiple linear regression equation in this study can be formulated as follows:

\[ Y_1 = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + e \]

This research using quality audit as a control variable for comparison then compiled equation regression model as follows:

\[ Y_2 = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + b_7X_7 + e \]

Where:

- \( Y \) = Profit Management
- \( a \) = Constant
- \( b \) = Coefficient Regression
- \( X_1 \) = Proportion of Independent Commissioners
- \( X_2 \) = Audit Committee
- \( X_3 \) = Institutional Ownership
- \( X_4 \) = Company Size
- \( X_5 \) = Leverage
- \( X_6 \) = Profitability
- \( X_7 \) = Auditor Quality
- \( e \) = standard error

3. RESULTS AND DISCUSSION
3.1. Research Hypothesis Testing

Coefficient of determination test \( (R^2 \text{ test}) \)

Coefficient of determination test \( (R^2) \) was conducted in order to measure how far the ability of the independent variable in explaining or predicting the dependent variable. The results of the Determination Coefficient test can be seen in the following table:

<table>
<thead>
<tr>
<th>Model</th>
<th>( R )</th>
<th>( R \text{ Square} )</th>
<th>Adjusted ( R \text{ Square} )</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.663 a</td>
<td>.440</td>
<td>.349</td>
<td>.0182239</td>
<td>1.839</td>
</tr>
</tbody>
</table>

- \( R \): Correlation (Proportion)
- \( R^2 \): Determination Coefficient

a. Predictors: (Constant), Profitability (\( X_6 \)), Institutional Ownership (\( X_3 \)), Audit Committee (\( X_2 \)), Leverage (\( X_5 \)), Proportion of Independent Commissioners (\( X_1 \)), Company Size (\( X_4 \))

b. Dependent Variable: Profit Management (\( Y \))

Based on Table 1 above, the coefficient of determination is equal to \( R^2 = 0.440 \). This value means that all independent variables simultaneously affect the dependent variable by 44%, the remaining 56% is influenced by other factors.

Simultaneous Significance Test \( (\text{Test F}) \)

The test aims to examine the effect of independent variables together or simultaneously on the dependent variable. Test of simultaneous effect with Test (before entering audit quality as a control variable) can be seen in the following table:
Table 2
ANOVA b

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>.010</td>
<td>6</td>
<td>.002</td>
<td>4.845</td>
<td>.001 a</td>
</tr>
<tr>
<td>Residual</td>
<td>.012</td>
<td>37</td>
<td>.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>.022</td>
<td>43</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Profitability (X6), Institutional Ownership (X3), Audit Committee (X2), Leverage (X5), Proportion of Independent Commissioners (X1), Company Size (X4)
b. Dependent Variable: Profit Management (Y)

Based on Table above, it is known that the calculated F value is 4.845 and Sig 0.001. F calculated 4.845> F table 2.356 Sig 0.001 <0.05, then all independent variables simultaneously have a significant effect on the dependent variable. While the simultaneous influence test with Test (after entering audit quality as a control variable) can be seen in the following table:

Table 3
ANOVA b

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>.010</td>
<td>7</td>
<td>.001</td>
<td>4.156</td>
<td>.002 a</td>
</tr>
<tr>
<td>Residual</td>
<td>.012</td>
<td>36</td>
<td>.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>.022</td>
<td>43</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Audit Quality (X7), Leverage (X5), Audit Committee (X2), Institutional Ownership (X3), Proportion of Independent Commissioners (X1), Company Size (X4), Profitability (X6)
b. Dependent Variable: Profit Management (Y)

Based on Table 3, it is known that the calculated F value is 4.156 and Sig 0.002. Calculated F value is 4.156> F table 2.27; Sig 0.002 <0.05 then entire independent variables in simultaneous significant effect on the dependent variable.

Partial Significance Test (t-test)
This test is conducted to see the significance of the effect of independent variables on the dependent variable partially. The results of the partial significance test (t test) before entering audit quality as a control variable can be seen in the following table:

Table 4

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td>t</td>
<td>Sig.</td>
</tr>
<tr>
<td>1</td>
<td>-.136</td>
<td>.043</td>
<td>-3.174</td>
<td>.003</td>
<td></td>
</tr>
<tr>
<td>Proportion of Independent Commis</td>
<td>.039</td>
<td>.042</td>
<td>.146</td>
<td>9.23</td>
<td>.562</td>
</tr>
</tbody>
</table>
Based on Table 4, obtained multiple linear regression equations as follows:
\[ Y = -0.136 + 0.039X_1 - 0.028X_2 + 0.0046X_3 + 0.007X_4 - 0.023X_5 - 0.00049 + e \]

Based on the multiple linear regression equation above, it is known:
1. Constants (a)
   Constants amounted to -0.136, meaning that although there is no addition of the variable proportion of independent commissioners, audit committee, institutional ownership, company size, leverage, profitability there is a tendency for earnings management to be -0.136.
2. Variable proportions of independent commissioners have a significance level of \( \text{Sig} \leq 0.05 \). Thus the independent board of directors does not have a significant effect on earnings management.
3. Committee Audit has a significance level of \( \text{Sig} > 0.05 \). Thus the audit committee has no significant effect on earnings management.
4. Institutional ownership has a significance level of \( 0.024 < 0.05 \). Thus institutional ownership has a significant effect on earnings management.
5. The size of the company has a significance level of \( \text{Sig} < 0.05 \). Thus the size of the company has a significant effect on earnings management.
6. Leverage has a significance level of \( \text{Sig} < 0.05 \). Thus leverage has a significant effect on earnings management.
7. Profitability has a significance level of \( \text{Sig} > 0.05 \). Thus profitability has no significant effect on earnings management.

While the results of the partial significance test (t test) after entering audit quality as a control variable can be seen in the following table:

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>-1.147</td>
<td>-0.46</td>
<td>-3.182</td>
<td>.003</td>
</tr>
<tr>
<td>Proportion of Independent Commissioners (X1)</td>
<td>.016</td>
<td>.043</td>
<td>.136</td>
<td>.851</td>
</tr>
<tr>
<td>Audit Committee (X2)</td>
<td>-.025</td>
<td>-.029</td>
<td>-1.143</td>
<td>.852</td>
</tr>
<tr>
<td>Institutional Ownership (X3)</td>
<td>.00048</td>
<td>.000</td>
<td>.360</td>
<td>2.412</td>
</tr>
<tr>
<td>Company Size (X4)</td>
<td>.007</td>
<td>.003</td>
<td>.465</td>
<td>2.559</td>
</tr>
<tr>
<td>Leverage (X5)</td>
<td>-.023</td>
<td>-.005</td>
<td>-.647</td>
<td>-4.763</td>
</tr>
</tbody>
</table>

Table 5
Based on Table 5, obtained multiple linear regression equations as follows:

\[ Y = -0.147 + 0.036X1 - 0.025X2 + 0.00048X3 + 0.007X4 - 0.023X5 - 0.0032X6 - 0.005X7 + e \]

Based on the multiple linear regression equation above, it is known:

1. Constants (a)
   - Constants of -0.147, meaning that although there are no additions to the independent variables with control variables there is a tendency for earnings management to be -0.147.

2. The variable prop orsi of the independent board has a significance level of 0.400>0.05. Thus the proportion of independent board of directors does not have a significant effect on earnings management.

3. Audit committee variables have a significance level of 0.400>0.05. Thus the audit committee has no significant effect on earnings management.

4. Institutional ownership variables have a significance level of 0.021<0.05. Thus institutional ownership has a significant effect on earnings management.

5. Company size variable has a significance level of 0.015<0.05. Thus the size of the company has a significant effect on earnings management.

6. Leverage variable has a significance level of 0.000<0.05. Thus leverage has a significant effect on earnings management.

7. Profitability variable has a significance level of 0.483>0.05. Thus profitability has no significant effect on earnings management.

8. Quality of audit variable has a significance level of 0.505>0.05. Thus audit quality does not have a significant effect on earnings management.

**4. DISCUSSION**

**Effect of the Proportion of Independent Commissioners to Profit Management**

In this study, partial regression results were obtained before and after entering audit quality as a control variable, the regression coefficient value from the independent board of the board of directors was positive and had no significant effect on earnings management. The quantity of independent commissioners has not succeeded in reducing earnings management in the company. The quantity addition of independent commissioners in the company is only to meet regulations, this is because the board of commissioners is appointed by the majority shareholders in the GMS so that they can represent the owner's decision. This research is in line with the results of research conducted by Siti Nayiroh (2012), Yanuar Nanok S, et al, (2008), Dul Muid (2009).

**Effect of Audit Committee Against Profit Management**

The results of testing the audit committee variable on earnings management before and after entering audit quality as a control variable obtained the value of the regression coefficient is negative and has no significant effect on earnings management. This result is in line with the results of research conducted by Siti Nayiroh (2012), and Dul Muid (2009).
who said that the audit committee had no significant effect on earnings management. These results occur because of the possibility that the establishment of an audit committee in the company is based on limited to meeting the existing regulations of the Financial Services Authority, so that in its implementation the audit committee is less effective in carrying out its duties and responsibilities towards the management of the company.

Effect of Institutional Ownership on Earnings Management
From the partial significance test (t-test) before and after entering audit quality as a control variable, it was found that institutional ownership had a positive and significant effect on earnings management. The results of this study are in line with the research conducted by Restie Nangsaptiti (2010) and Rifi Rahmadhon (2010). From the results of regression testing shows that the concentration of institutional ownership has a significant effect on earnings management. It can be indicated that the percentage of certain shares owned by an institution can affect the process of preparing financial statements that do not rule out the possibility of accrualization in accordance with the interests of management.

Effect of Company Size on Earnings Management
Partial significance test (t-test) before and after entering quality audit as a control variable obtained regression coefficient values from the size of the company and significantly has positive effect on earnings management. This result is in accordance with research conducted by Yanuar Nanol S, et al, (2008), Usman Ali, et al, (2015), Dwi Lusi Tyasing Swastika (2013), Yousef Jahmani, et al, (2015). Thus it can be indicated that large-sized companies tend to get pressures to meet market expectations so they are encouraged to make earnings management. In the sense of large companies if they want to continue to exist in the perspective of investors and the public, the company is required to be able to comfort investors and the public by controlling the numbers in the financial statements, so that earnings management practices will most likely be the choice of financial reporters.

Effect of Leverage on Earnings Management
The test results accept the hypothesis which states that leverage has a significant effect on earnings management practices. Before and after entering audit quality as a control variable, the regression coefficient value is negative and has a significant effect on earnings management. From these results it can be concluded that the lower the leverage it will trigger an increase in earnings management practices. This is in line with the research of Kym et al. (2012) which states that the increase in leverage (leverage increases in the next period) can make a decrease in earnings management activities in a company rather than a company with a low change in leverage or in other words leverage has a negative effect on earnings management can be interpreted if the level of leverage is increased, then earnings management will be lower, for example, with the opposite, the smaller the level leverage, the earnings management is higher.

Effect of Profitability on Earnings Management
Before and after entering audit quality as a control variable states that profitability value is negative and has no significant effect on earnings management. That is due to the Net Profit Margin (NPM) in companies that were sampled, which is a measurement of each unit of
sales remaining after deducting the costs, including interest and tax of the company is very low, then selling the remaining did not have a significant value because each sale has almost no sales value left so that there is no relationship with earnings management practices. The results of this study are in line with the research conducted by Suwito and Herawaty (2005) and Silviana (2010).

The Effect of the Proportion of Independent Board of Commissioners, Audit Committee, Institutional Ownership, Company Size, Leverage, Profitability on Simultaneous Earnings Management

Based on the results of data testing simultaneously before and after entering the audit quality proxy as a control variable, it can be concluded that the independent variables consisting of the proportion of independent board of directors, audit committee, institutional ownership, company size, leverage and profitability simultaneously have effect significantly on earnings management. This is strengthened by obtaining a coefficient of determination equal to $R^2 = 0.440$. It can be concluded that there is a positive correlation between the theory and the simultaneous test results from the independent variables on the dependent variable in this study, this is because the independent variables contained in this study are variables that have the potential for the behavior of earnings management behavior.

5. CONCLUSIONS AND RECOMMENDATIONS

1. Simultaneously, before and after the inclusion of audit quality as a control variable obtained results that the proportion of independent board of directors, audit committee, institutional ownership, company size, leverage and profitability simultaneously have a significant effect on earnings management.

2. Partially before and after entering the control variable namely audit quality into multiple linear regression in this study, institutional ownership has a significant positive effect on earnings management, in other words the percentage of certain shares owned by the institution can affect the process of preparing financial statements that do not cover the possibility of accrualization in accordance with the interests of the management as well as the size of the company which has a significant positive effect on earnings management, this can indicate that large-sized companies tend to be pressured to meet market expectations so that they are encouraged to make earnings management, so that earnings management practices are likely large will be the choice of financial reporters. While leverage on earnings management is obtained with significant negative results both before and after entering quality as a control variable, it can be concluded that increasing leverage can make a decrease in earnings management activities in companies rather than companies with low leverage changes.

REFERENCE


