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THE EFFECT OF MORAL REASONING LEVEL AND EMOTIONAL INTELLIGENCE ON ETHICS ASSESSMENT OF EARNINGS MANAGEMENT

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Abstract: The aimed of this study is to examine the effect of moral reasoning level and emotional intelligence on the ethics assessment of earnings management. The theory used is planned behavior theory. Respondents in this study are undergraduate students of Accounting Department in Faculty of Economics and Business at one private university in Surakarta. The samples used are 89 respondents with convenience sampling technique. The results showed that the moral reasoning level affects the ethics assessment of earnings management, while emotional intelligence does not affect the dependent variable.

Keywords: earnings management, emotional intelligence, ethics assessment, moral reasoning level

Introduction

In recent years, cases of fraudulent financial reporting have begun to unfold resulting in the collapse of the company's economy, such as Enron, HIH, Tyco, Xerox, WorldCom, Waste Management Kmart, Homestore.com, AOL Time Warner, Duke Energy, Halliburton, Reliant Energy, Tyco International (Armstrong, et al., 2003; Grasso, et al., 2009). One of the fraudulent financial reporting is the existence of earnings management that puts the spotlight on financial decision-making by managers by various parties and causes research on ethics began to be done (Carpenter and Reims, 2005). According to Grasso, et. al (2009) all fraudulent financial reporting can be characterized as earnings management, but not all earnings management activities are fraudulent.

Earnings management is one of the important issues in the ethics of the accounting profession (Merchant and Rockness, 1994). There have been numerous studies on ethical judgments on earnings management actions performed using various members of the company (Merchant and Rockness, 1994; Kaplan, 2001a, 2001b,). An ethical perspective looks at whether earnings management activity is the right thing to do or not. Once a person has assessed whether his or her actions are true, he or she includes his judgment into actions that may be inconsistent with previous assessments (Zhang, et al., 2013). The behavior of earnings management goes against the consensus of social ethics and has consequences for organizations perceived as unfavorable actions that will lead to an ethical assessment of earnings management becoming more critical (Johnson, et al., 2012).

One of causes of corporate managers in earnings management is the presence of intentions and opportunities that affect managers' perceptions on the ethics of earnings management measures, such as increasing compensation or incentives through profit-based bonus contracts by "forming" financial statements to achieve profit targets (Healy , 1985, Kaplan, 2001a, Jensen, 2001; Belski, et al., 2008). Another trend that underlies managers performs earnings management is the motive associated with the value of managing accounting information (Dye, 1988). The shareholders will determine the most productive actions for the company, then they must contract with management to carry out the action, either by coercion or by an incentive contract (Dye, 1988).

Determining the right or wrong action depends on the moral philosophy of every person (Kaynama, et al., 1996). A manager who tends to focus on measuring the company's financial performance can cause managers put the organization higher than the ethics action itself . There is a self-deception where managers sometimes have to justify morally an action that has a "better" effect for the company (Tenbrunsel and Messick, 2004). When confronted with complex and ambiguous situations, individuals will form their own egocentric interpretation of honesty, in which individuals have different roles and effects so that their ethical judgments are also expected to be different (Thompson and Lowenstein, 1992; Kaplan, 2001a).

Goleman (2005) defined emotional intelligence as the ability of our own feelings and the feelings of others, the ability to motivate ourselves, and the ability to manage emotions well in ourselves and in relationships with others. Emotional intelligence provides us with a valuable understanding, as this will give us insight that there are the most private aspects that are hidden and capable of influencing the actions we take. When we are faced with a good emotional intelligence, then the ethics of earnings management will also get better. Emotionally, one can judge the behavior of earnings management whether it is a bench or not.

The Carpenter and Reimers (2005) study examined the impact of attitude, subjective norms, and perceived control on managers' decisions to violate common acceptable accounting standards to achieve profit targets and receive annual bonuses. The results show that based on the planned theory of behavior (theory of planned behavior) can predict whether the decision of the manager is ethical or unethical. This invention is useful for corporate leaders who see the ethical use on work.

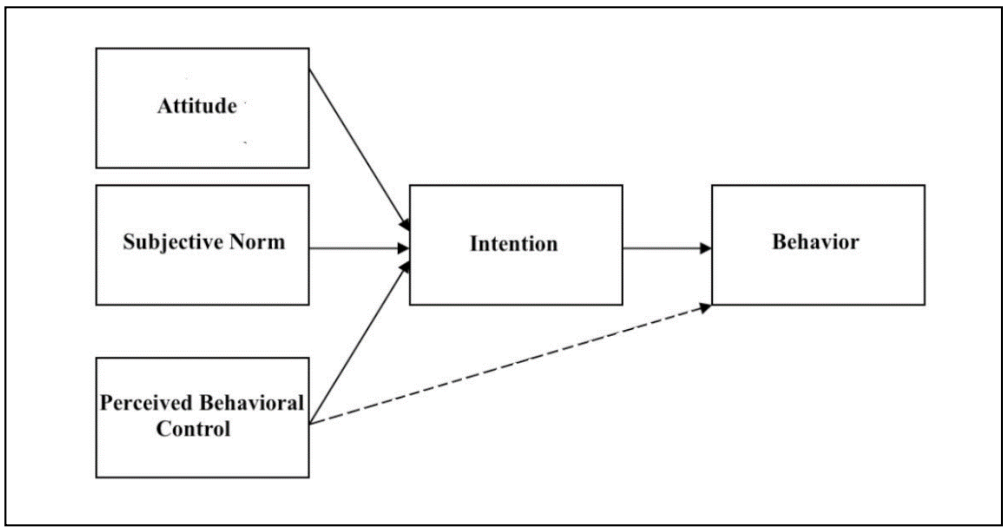
The motivation of this research is to know the effect of moral reasoning level and emotional intelligence on assessment ethics of earnings management. The difference with previous research is, this is the first research in Indonesia that take variable of moral reasoning level and emotional intelligence to ethics assessment of earnings management. Other differences are also found in data collection techniques. Kaplan, et. al. (2007) and Johnson, et.al. (2012) using experimental techniques, while in this study using survey techniques.

Literature Review

Theory of Planned Behaviour

Theory of Planned Behavior is the key to explaining behavior based on one's intentions (Carpenter and Reimers, 2005). Theory of Planned Behavior (TPB) is the development of Reasoned Action Theory (Ajzen and Fishbein, 1980; Ajzen and Fishbein 1975) by adding perceived behavior control. Previously, in the TRA that the intention of behaving is influenced by attitude toward behavior and subjective norm. The addition of perceived behavioural control constructs serves as an attempt to understand the factors that influence individuals in determining behavior. This means that a behavior is based on individual beliefs with what supports or inhibit such behavior. Figure of this theory are as follows

Figure 1. **Theory of Planned Behaviour**



Source: Ajzen (1991)

This attitude is determined by the beliefs about the consequences of a behavior and its consequences (Ajzen, 2005). Beliefs relate to the individual's subjective judgment of the world around him, the individual's understanding of himself and his environment is done by linking certain behaviors with the various benefits or disadvantages that may be obtained if the individual does or does not do so. Subjective norm is a perception of others to what is done by someone based on norms or rules that apply and are subjective. Ajzen (2005) suggests that perceived behavioral control is determined by individual beliefs about the availability of resources (control belief strength) that support or inhibit a behavior. All three variables affect the intention that further determines the person behavior.

Cognitive Moral Development

The Kohlberg model is usually used to measure individual moral maturity based on their responses to the hypothetical dilemma scenario. The development of cognitive morals has been frequently used in accounting students or accounting practitioners in various stages of their careers and for students studying different disciplines and practitioners with different professions (McPhail and Walters, 2009). This model can also be used for ethical comparisons in national cultural differences and organizational cultural impacts on individual ethical behavior (McPhail and Walters, 2009). Poneman (1990) found that the moral reasoning capacity of accountants increases until they reach the level of manager or partner, and then it will decreases. Kohlberg's model is described as follows:

Table 1. **Kohlberg Model**

Level	Stage	Trends
Post-Conventional	6	Based on general moral principal
	5	Balanced with focus for others benefit
Conventional	4	Information from social law
	3	Adjusted with group norms
Pre-Conventional	2	The main motivation is self-interest.
	1	Avoid punishment

Emotional Intelligence

Emotional intelligence is an ability to recognize ourself and other people, ability to motivate ourself and manage emotions well to ourself and its relationship with other people (Goleman,2001). Cooper and Sawaf in Rahmi (2010) defines emotional intelligence as an ability to feel, understand, and effectively implement power and emotional sensitivity as a resources of energy, information, connection, and humanity effect. Emotional intelligence demands itself to be able to admit, and appreciate own feelings, also able to manage and respond appropriately. Goleman (2003) explains that emotional intelligence divided into 5 main area, such as an ability to self-recognize emotion, manage self-emotion, self-motivation, recognize the emotions of others, and ability to foster relationship with people. This can be explained as follows:

- Self awareness is an ability to know what is felt in itself and use it to guide self-decision making, has a reality benchmark on self-ability and strong self-confidence.
- Self Management is the ability of a person to control and handle self-emotions in such a way which positively impact on the task execution, have a sensitivity to the conscience, also able to delay the enjoyment before the goal achieves and able to recover from the emotional pressure.
- Self Motivation is the deepest desire to move and guide ourself toward the goals, to assist in taking initiative and acting very effectively, and being able to survive and rise from failure and frustration.
- Empathy is the ability to feel what people are felt, being able to understand others perspectives and cultivate trust relationships, and be able to align themselves with different types of relationships.
- Relationship Management is the ability to handle emotions well when have social relation with others, able to read situations and social networks carefully, interact smoothly, use these skills to effect in leading, deliberation, resolve disputes, and have a teamwork.

Ethics Assessment of Earnings Management

Grasso, et. al. (2009) argues that ethics assessment of earnings management is most likely to reflect (a) the consensus of the previous group (peer) on whether the observed behavior is ethical and (b) the behavior which affects the financial organization. This shows a direct (positive) relationship between earnings management behavior, its consequences, and the resulted ethics assessment. Therefore, predicting that earnings management behavior which fulfill a social consensus of an ethical action and positive organizational consequences will result in an ethics assessment and consequently being more ethical (Rest, 1986; Hunt and Vitell 1986; Jones 1991). In other side, the earnings management behavior as opposed to ethical social consensus and consequences for organizations which are deemed unprofitable, so it will result in a more critical ethics assessment of behavior and its consequences.

Development of Hypothesis

Theory of Planned Behavior explains that a behavior is affected by one's intentions. One of the factors affecting intention is attitude toward behavior. Attitude is based on one's belief. One's beliefs to behave are affected by moral. Moral is a good or bad assessment of a someone's actions. Moral can be affected by cultural differences, past experiences, and the environment. A good moral is indicated by the condition of person's attitude toward a

behavior, they can sort out exactly whether the behavior is good or bad. The better a person's moral, then they will be able to conduct an ethics assessment of earnings management appropriately. In other words, the individual is able to assess whether the earnings management behavior is a good or bad action.

The results of Johnson's study, et. al. (2012) indicates that one's level of personality is the key to the ethics of earnings management. The results of Kaplan's study, et. al (2007) also suggests that the moral level of a person affects the decision to behave for earnings management. The higher moral reasoning level of a person, then it will assess the earnings management behavior is unethical action. Conversely, the lower moral reasoning level of a person, then it will assess the earnings management behavior is an ethical action. Hypothesis can be formulated as follows:

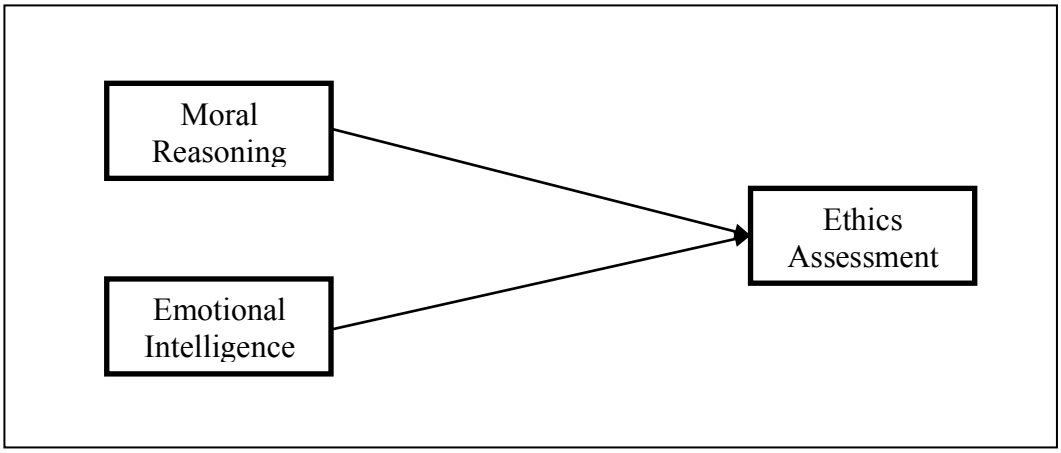
H1: The moral reasoning level has a positive relationship with the ethics assessment of earnings management.

Another factor which can affect a person in behaving is perceived behavioral control which defined as a person's control in determining a behavior seen from conditions that support or inhibit its behavior. There is a possibility that support or inhibit condition of behavior are self-emotions. This study will use emotional intelligence variables to assess a person's ethics of earnings management. Emotional intelligence is the ability to recognize oneself and others, the ability to self-motivate and manage emotions well on oneself and its relation to others (Goleman, 2001).

With emotional intelligence, individuals are required to be able to acknowledge, and appreciate their own feelings, and be able to manage and respond appropriately. The better one's emotional intelligence, the better the person recognizes itself and understand others, so when it is faced with a situation of earnings management, it will assess earnings management as unethical behavior. In other side, the lower one's emotional intelligence, then it will assume that earnings management can help someone "as if" improve its own performance, so that ultimately it will assess earnings management as an ethical behavior. Hypothesis can be formulated as follows:

H2: Emotional intelligence has a positive relationship with an ethics assessment of earnings management.

Figure 2.1. **Model Analysis**



Source: Author's Data

Methods

Sample Selection

The sampling technique used in this research is convenience sampling. Convenience sampling is one type of non-probability sampling in which samples are chosen based on ease in finding respondents. The selected sample is the undergraduate accounting student who has taken the course of business ethics and financial accounting who has certain knowledge about business ethics, financial accounting, and earnings management. Sampling refers to research by Shawver and Sennetti (2009) using undergraduate students majoring in accounting because accounting students are the main basis of the next generation who will work in accounting. This is an important concern because of the need for early ethics assessment. The number of samples are 110 students.

Data collection technique

Data collection technique used in this study using survey methods by collecting questionnaires. The technique of distributing questionnaires using direct techniques, i.e. questionnaires will be directly delivered to the research respondents. The dispersed questionnaire is a list of statements regarding the effect of the moral reasoning level and emotional intelligence to the ethics assessment of earnings management.

Operational Definition and Variable Measurement

Moral Reasoning Level

The moral reasoning level is measured by Multidimensional Ethics Scale (MES) adapted from Reidenbach and Robin (1990). MES usage is more suitable for undergraduate students majoring in accounting because MES consists of eight dilemmas where there are dilemmas related to accounting and earnings management cases (Shawver and Sennetti, 2009).

Emotional Intelligence

Emotional intelligence is human intelligence role in the recognition and respect his feelings intact/secara utuh, so that he is able to manage and respond appropriately. Goleman (2005) defines emotional intelligence as the ability of the self sense and feelings of others, to motivate ownself, and managing emotions well in ourselves and in relationships with others. Emotional intelligence variables measured by 24 statements adapted from Suryaningrum and Trisnawati (2003) instruments with five indicators. Measurement of these instruments by using *Likert* scale from a score of 1 (strongly disagree) to 5 (strongly agree).

Ethics Assessment of Earnings Management

Ethical assessment on earnings management is measured by adapting the instruments of Merchant's and Rockness (1994). The instrument consists of fourteen statements. The subject will assess some of the actions described in some scenarios, namely (1) ethical practices, (2) the questionable practices, (3) a minor offense (minor), (4) a gross violation (serious). And (5) the unethical practice. Therefore, in the original scenario using the years 1986-1987, this research will adjust the current year be the year of 2015-2016.

Data Analysis Techniques

Before testing the hypothesis, the need for validity and reliability of the instrument and test the classical assumption of normality test, multicollinearity, and heteroscedasticity test. For the analysis used in testing the hypothesis is multiple regression analysis. Hypothesis testing is done by the following equation.

$$EJ = \beta_0 + \beta_1 + \beta MR_2 EI + e \quad \text{..... (3.1)}$$

Description:

EJ : *Ethical Judgment of Earning Management*

β_0 : Constants

β_1, β_2 : The regression coefficient

MR : *Moral Reasoning*

EI : Emotional Intelligence

E : *Error term*

Findings

Respondents Data

This study aims to determine the level pengariuh *moral reasoning* and moral intelligence to the ethical assessment of earnings management. The sampling technique used *convenience sampling* with criteria for students who have taken courses financial accounting and business ethics. Distribution of questionnaires carried out on students majoring in accounting at a private university in Surakarta class of 2014 and 2015. The rate of return questionnaires response and which can be processed are as follows:

Table 2. **Rate of Return Questionnaires Response**

Description	Total
Questionnaires distributed	110
questionnaires returned	110
questionnaires disability	21
questionnaires can be processed	89

Source: Data processed, 2018

Based on table 2, the number of questionnaires that can be processed further is as much as 89 questionnaires.

Data Quality Test

Validity Test

Validity test is done if an appropriate instrument for measuring a variable. Validity test is done on all three variables, namely the level of *moral reasoning* and emotional intelligence as independent variables, as well as ethical judgment earnings management as the dependent variable. The instruments *Moral reasoning* level consist of 8 items, emotional intelligence as

much as 24 items, earnings management and ethical judgment as much as 14 items. Validity test is done by looking at the value of the significance of the *Pearson-Correlation.* If the significance of less than 0.05 (□ = 0,05), the instrument is declared valid. The validity of the test results can be seen in the following table:

Table 3. **Results of Validity Test Variable *Moral Reasoning Level***

Instruments	Sig.	Description
MR_1	0.030	Valid
MR_2	0.000	Valid
MR_3	0.000	Valid
MR_4	0000	Valid
MR_5	0.000	Valid
MR_6	0.000	Valid
MR_7	0.182	Invalid
MR_8	0.000	Valid

Source: SPSS 25.00 (data processed, 2018)

Based on table 3 it can be seen that the significance of *the Pearson-correlation* less than 0.05 (unless the instrument number 7 of 0.182 > 0.05). This means that in addition to MR_7, instruments declared invalid. For MR_7 instrument, can be issued in subsequent tests.

Table 4. **Results of Validity Test Variable Emotional Intelligence**

Instruments	Sig.	Description
EI_1	0.270	Invalid
EI_2	0.000	Valid
EI_3	0.000	Valid
EI_4	0.000	Valid
EI_5	0.000	Valid
EI_6	0.006	Valid
EI_7	0.002	Valid
EI_8	0.000	Valid
EI_9	0.000	Valid
EI_10	0.182	Invalid
EI_11	0.000	Valid
EI_12	0.000	Valid
EI_13	0.000	Valid
EI_14	0.000	Valid

EI_15	0.000	Valid
EI_16	0.001	valid
EI_17	0.000	valid
EI_18	0.000	valid
EI_19	0.000	valid
EI_20	0.000	valid
EI_21	0.000	valid
EI_22	0.000	valid
EI_23	0.000	valid
EI_24	0.000	valid

Source: SPSS 25.00 (data processed, 2018)

Table 4 shows that the significance of *the Pearson-correlation* less than 0.05 (except instruments no. 1 and 10 respectively for 0.270 and 0.182> 0.05). This means that in addition to EI_1 and EI_10, instruments declared invalid. For EI_1 instruments and EI 10, may be issued in the next tests.

Table 5. **Results of Validity Test Variable Ethical Assessment of Earning Management**

Instruments	Sig.	Description
EM_1	0.000	Valid
EM_2A	0.000	Valid
EM_2B	0.000	Valid
EM_3	0.000	Valid
EM_4A	0.000	Valid
EM_4B	0.448	Invalid
EM_4C	0.002	Valid
EM_5A	0.001	Valid
EM_5B	0.000	Valid
EM_6A	0.000	Valid
EM_6B	0.000	Valid
EM_7	0.001	Valid
EM_8A	0.000	Valid
EM_8B	0.000	Valid

Source: SPSS 25.00 (data processed, 2018)

Table 5 shows that the significance of *the Pearson-correlation* less than 0.05 (unless the instrument no. 4B for 0.448> 0.05). This means that in addition to EM_4B, instruments declared invalid. For EM_4B instrument, can be issued in subsequent tests.

Reliability Test

Reliability Test (test the reliability of the instrument) is used to see the consistency of the measurement results measured several times with the same measuring instrument. Each variable must be tested reliability of the instrument. Testing is done by looking at the value *cronbach's-alpha.*Reliability test results can be seen as follows:

Table 6. **Results of Reliablility Test**

Variable	Value *Cronbach's Alpha*	Conclusion
Levels Moral Reasoning	0.501	Quite Reliable
of Emotional Intelligence	0.797	Reliable
Ethics Assessment MNJ.earnings	0.688	Reliable

Source: SPSS 25.00 (data processed, 2018)

Based on table 6, it can be seen thatvalue *cronbach's-alpha* for variable levels of *moral reasoning* by 0501, which is between> 0.4-0.60, it can be concluded that the reliability of the instrument is quite reliable.value *Cronbach's-alpha* for the variable of emotional intelligence and research ethics earnings management are respectively 0797 and 0688, which is between> 0.60-0.80, so that it can be concluded that this instrument reliability test results reliably.

Classical Assumptions Test

Normality Test

Normality test is done to see if the residual value of the resulting spread normally or not. A good regression model is a model that has a residual value that is normally distributed. Mechanical testing of normality using the *One Sample Kolmogorov-Smirnov Test* to see significant value. If the significance value greater than 0.05 (= 0,05), then the data are normally distributed. Normality test results can be seen in the following table:

Table 7. **Results of Normality Test**

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		89
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	5.01006232
Most Extreme Differences	Absolute	.079
	Positive	.079
	Negative	-.051
Test Statistic		.079

Asymp. Sig. (2-tailed)	.200[c,d]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Source: SPSS 25.00 (data processed, 2018)

Table 7 shows the value *Asymp. Sig. (2-tailed)* of 0.200. This translates into significant valuetest results *Kolmogorov-Smirnov* greater than 0.05 (0.200> 0.05), so it can be concluded that the data are normally distributed.

Multicollinearity Test

The purpose of Multicollinearity test is to find out if there is any linear correlation (intercorrelation) between independent variables. The good regression model is the one that passed multicollinearity assumptions. Multicollinearity test can be done by looking at the value of VIF and Tolerance. If the VIF value below 10 (<10) and Tolerance value above 0.1 (<0,1), then it can be concluded that independent variable is not contaminated with multicollinearity. The results of multicollinearity test shown in the table below:

Tabel 8. **Multicollinearity Test Results**

Variable	VIF	*Tolerance*	Conclusion
Moral Reasoning Level	1.009	0.991	Multicollinearity Passed
Emotional Intellegence	1.009	0.991	Multicollinearity Passed

Source: SPSS 25.00 (data processed, 2018)

Based on table 8, VIF and Tolerance values can be seen in the Moral Reasoning Level and Emotional Intelligence variables consecutively are 1.009 (<10) and 0.991 (>0.1). It means both variables are not contaminated by multicollinearity assumptions.

Heteroscedasticity Test

The purpose of heteroscedasticity test is to find out if there is any inequality in variance between the residual of an observation to another observation in the regression model. The technique of heteroscedasticity test is using Rank-Spearman test. If the significant values resulted from Rank-Spearman test is above 0.05 (? >0.05), then it can be concluded that heteroscedasticity is not happening. The results of heteroscedasticity test shown in the table below:

Table 9. **Heteroscedasticity Test Results**

Variable	Significance	Conclusion
Moral Reasoning Level	0.878	Heteroscedasticity Passed
Emotional Intellegence	0.855	Heteroscedasticity Passed

Source: SPSS 25.00 (data processed, 2018)

Table 9 showed significant values of Moral Reasoning Level and Emotional Intelligence variables consecutively ae 0.978 and 0.855 (>0,05). It can be concluded that heteroscedasticity is not happening in the regression model.

Multiple Regression Analysis

Multiple regression analsis used to see the effect between moral reasoning level and emotional intelligent towards ethic assesment of earnings management. The results of multiple regression analysis test shown in the table below:

Table 10. **Multiple Regression Analysis Test Results**

Description	□	t-count	Sig. t
Moral Reasoning Level	0.666	4.123	0.000
Emotional Intellegence	0.022	0.303	0.763
Constant (□)	21.538		
Adj. R^2	0.149		
Sig. F	0.000		

Source: SPSS 25.00 (data processed, 2018)

Based on table 6, constant and beta values in each variables, formed into a regression formula as shown below:

$$\boldsymbol{EM = 21.538 + 0.666MR + 0.022EI + \varepsilon}$$

Constant values (□) +21.538 showed that if there is no moral reasoning level and emotional intellegent variables, then the ethic assessment of earnings management will be +21.538. The value of $□_1$ is +0.666 that shows Moral reasoning level will increase for 1 point, then the score for earnings management ethic will also increase for 0.666 points. This means, the higher moral reasoning level of a student, the higher (tight) ethic assessment of earnings management will be. The value of $□_2$ is +0.22, it shows that emotional intellgenece uncrease for 1 point, then the ethic assessment of earnings management will also increase for 0.22 point. This also means that the higher emotional intellegence of a student, the higher (strict) ethic assessment of earnings management will be.

Table 10 showed the value of Adj.R2 is 0.149. This means 14.9% of ethic assessment of earnings management variable is affected by moral reasoning level and emotional intellegence, the rest 85.1% is affected by another variables those are not included in the model.

Table 19 also show significant values of F is 0.000 (<0.05). This means the research model being proposed is fit. Significant Value of moral reasoning level is 0.000 (<0.05). This means ethic assessment of earnings management is being affected by moral reasoning level. Meanwhile, significant value of emotional intellegence is 0.763 (>0.05). This means that the ethic assessment of earnings management is not affected by emotional intellegence.

Discussion of Research Results

Based on table 10, the level of moral reasoning variable has positive coefficient for 0.666 and significant value for 0.000 (<0.05), so it can be concluded **H1 is accepted**. This means that moral reasoning variable positively affect ethic assessment of earnings management. The results of this research is suitable to the research done by Kaplan, et. Al. (2007) that stated the better ethic manager had, then the ressults will be better than the planed goals.

The results of this research is also suitable with the one done by Johnson, et.al. (2012) stated that moral affected the decision of earnings management behavior. The results of this researc explained that ethical action will have a major impact on the level of decisions made by manager. Moral reasoning level is defined as a situation of one's moral in judging an incident. The higher value of moral reasoning, then the ethic assessment of earnings management will also be higher (critical) and have a huge impact on the decisions taken. The good condition of moral reasoning also mirrored someone that has a sense of logic in understanding and solving a problem.

The coefficient value of emotional intellegence is 0.22 and significant values is 0.763 (>0.05), then I can be concluded that **H2 is unaccepted**. This means emotional intellegence not giving any impact to the ethic assessment of earnings management. Emotional intellegence is defined as someone's ability to in controllong, cultivating, juding, and accepting self emotions and other's emotions around.

According to Goleman (2001) and Cooper and Sawaf in Rahmi (2010) about emotional intellegence, emotional intellegence can be defined as an ability to self-acknowledge and other's as source of energy, information, and humanity impact, the ability to self-motivation and process self-emotion and the relationship to other's. Based on some definitons being mentioned, it can be conclude that emotional intellegence is focused on the emotions, so there are some probabilities that emotions beat sense of someone's logic. Ethic assessment of earnings management is influenced by the condition of someone's netral logic. If someone assessing an ethic about one incident when the condition of emotion is not well, the results can be biased.

Conclusion

The purpose of this research is to see the effects of moral reasoning level and emotional intellegence towards the ethic assesment of earnings management. The results of research can be concluded:

1. Moral reasoning level positively influenced ethic assessment of earnings management. The higher moral reasoning level, then the ethic assessment of earnings management will also higher. This means someone will be more critical in judging the condition of earnings management.

2. The emotional intellegence is not giving any influence towards ethic assessment of earnings management. This means the emotional condition will not give an impact to someone's logic in judging an ethic of a behavior.

This is the first research that studied about moral reasoning level and emotional intellegence with ethic assessment of earnings management, thus this research has lots of limitation. These are some critics being proposed by researchers :

1. Measuring moral reasoning level using Multidimensional Ethical Scaling (MES) is rarely used, thus the reabilities is still 0.5. Another researcher can use this method so the construction will be more andal
2. Method of determining the sample used Convenience Sampling, so there is probability of biased sample. This sample can be replaced by Purposive Sampling
3. Limited sample area, and those are accounting students in one of private university in Surakarta. The area of the sample can be expanded, so that the results of research can be more generalized.

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