Analysis of Factors Affecting the Motivation of Earnings Management in Manufacturing Listed in Indonesia Stock Exchange

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Abstract
This study aimed to analyse the factors that affect the motivation for the management of earnings management activities in the automotive sector manufacturing companies and component 2011-2013. Some of the factors that affect earnings management motivation used in this study is a bonus motivation, motivation debt contracts, and motivation political costs (the size of the company). Source of data used in this study is empirical data obtained from Indonesian capital market consists of the annual financial statement data and other supporting data. The sample of this study consisted of 12 companies manufacturing automotive sector and components that publish annual financial statements for 2011-2013. Analysis of the data using the modified Jones models and is equipped with a descriptive analysis, the classical assumption test, and test hypotheses. The results of this study show that (1) the partial methods, motivation bonus (ROA) but no significant negative effect on earnings management. Motivation debt (leverage) has a positive effect and no significant effect on earnings management. Meanwhile, the cost of political motivation (the size of the company) has a positive but not significant effect on earnings management. (2) Simultaneously, motivation bonus (ROA), motivation debt (leverage) and the motivation of the political cost (size of the company) has a positive and significant impact of earnings management.
Keywords: Earnings Management, Motivation Bonus, Debt Contracts Motivation, Motivation Company Size

1. INTRODUCTION

One source of information in assessing the performance of the company is a financial statement. The financial report is a summary of a recording process, from financial transactions that occurred during the financial year concerned. According to the Indonesian Institute of Accountants, financial statements are the result of the accounting process that aims to provide information about the financial position, performance, and current companies that benefit the majority of users report in order to make economic decisions and demonstrate accountability (stewardship) management on the use of resources entrusted to them. User information includes financial statements: investors, employees, lenders, suppliers, customers, government, and society in general.

One of the information contained in the financial statements is information on profits. Earnings or profits are often used as a basis for decision-making of various stakeholders, such as use as a base to give bonuses to managers, are used as the basis for calculating the taxable income, and also worn as work assessment Criteria Company. Therefore, it is often also managers take advantage of opportunities to manipulate earnings figures with engineering accrual to affect the outcome of various decisions such as motivation bonus, considered to perform better or to minimize the burden of income tax to be paid by the company.

Nevertheless, the accrual basis in the financial statements provides an opportunity for managers to modify the financial statements to generate profits (earnings) desired. Generally accepted accounting principle (GAAP) or generally accepted accounting principles also provide flexibility for managers to choose accounting methods that will be used in preparing the financial statements. This is consistent with the positive accounting theory which allows the manager to choose a particular accounting method. Actions that can make financial reports to be good, action is often referred to as the earnings management.

Earnings management performed by the manager arises because of the agency problem is the conflict of interest between owners / shareholders (principals) with manager / management (agent) as a result of not meeting the maximum utility among them because management has more information about the company from the shareholders that occurs asymmetry of information that allows management accounting practices oriented towards profit to achieve a certain performance. Agency conflict that resulted in the management of opportunistic actions that reported earnings is false, will lead the company's value is reduced in the future.

There are various motivations that supposedly underlies and encourage a manager behave opportunistic. Motivations will affect the pattern of managerial engineering by management companies. Positive accounting theory has three hypotheses that form the basis of the main motivations that managers perform earnings management bonuses, contract debts and political costs. In the bonus motivation stated that the management will get a bonus if certain corporate performance targets. Promise this bonus will motivate managers to manage earnings at a certain level in accordance with the required limit. In this case, the manager will perform earnings management by increasing profits in order to obtain greater compensation from the company. The second

motivation is motivation debt contract. Managers will conduct aggressive earnings management to prevent violations of the debt contract. Managers do earnings management by increasing earnings to avoid violating the debt limit. Last motivation is political costs which larger companies will do more policies that will lead to decreased profits for the purpose of reducing the political effects.

The problem of this research is: Is the bonus motivation, motivation debt contracts, and motivation political costs (firm size) effect on earnings Management Company and component manufacturing automotive sector in Indonesia stock exchange?

2. THEORY FRAMEWORK

Financial Statements

According to the Indonesian Institute of Accountants (2009: 1), the financial statements include the part of the financial statements. Complete financial statements typically include a balance sheet, income statement, statement of changes in equity, statement of changes in financial position (which can be expressed in various ways for example, as a cash flow statement / funds flow statement), notes and other statements and explanatory material that are an integral part of the financial statements.

According to the Indonesian Institute of Accountants (2009: 3), the objective of financial statements is to provide information concerning the financial position, performance and changes in financial position of an enterprise that is useful for a large number of users in making economic decisions.

Financial report is required by each company to determine the progress and setbacks of his efforts. The financial statements are also used as the basis for determining or assessing the financial position of the company. Where the results of the analysis of the interested parties can take a decision to invest in a company.

Profit Management

In general, earnings management is defined as a company manager to intervene or influence the information in the financial statements for the purpose of deceiving the stakeholders who want to know the performance and condition of the company. Managers can choose several accounting policies for calculating earnings without violating GAAP (Generally Accepted Accounting Principles).

According Sulistyanto (2008: 161), earnings management is done by playing the components of accruals in the financial statements, because the accrual component can be a numbers game through the accounting method used in accordance with the wishes of the person doing the recording and preparation of financial statements. Component accrual is a component that does not require proof of physical cash so toying with the size of the accrual component does not have to be accompanied by cash received or issued by the company.

Based on the above understanding can be concluded that earnings management is an intervention in the external financial reporting process with a view to personal gain. Earnings management is done with the purpose of manipulating the users of financial statements. This understanding is consistent with agency theory which states that the separation of ownership and management of the company will encourage managers seek to maximize welfare, although they had to manipulate the data to other parties.

Discretionary Accruals

According Sulistyanto (2008: 164), accrual accounting is divided into two components, namely discretionary accruals and nondiscretionary accruals. Discretionary accruals are the accrual component of managerial engineered by utilizing the freedom and flexibility in the use of estimates and accounting standards. Nondiscretionary accruals an accrual component obtained naturally from the accrual-basis accounting standards follow general. An example of nondiscretionary accruals is a method of determining depreciation and inventory are chosen must follow the methods that are recognized in the accounting principles. Whereas in the more discretionary accruals are given freedom, making it easier to toyed with the managerial policy. Total accruals consist of a number of discretionary accruals and non-discretionary accruals.

Motivation Bonus

In the bonus plan or managerial compensation, the owner of the company promised that the manager will receive a bonus if the performance of the company reaches a certain amount. This means that the bigger the bonus that would be obtained managers, the greater the motivation of managers to manage earnings. Profitability ratios used in this study is the return on assets (ROA), where the return on assets (ROA) shows the company's ability to generate profits earned based on the total assets of the company. The capital structure of the company usually consists of internal and external capital. Capital raised from external parties in the form of a loan from the lender. The loan would require the presence of good corporate responsibility in the use and repayment of the loan. The creditors will constantly monitor and require information about the financial state of the company to ensure that the company will be able to meet its obligations at maturity.
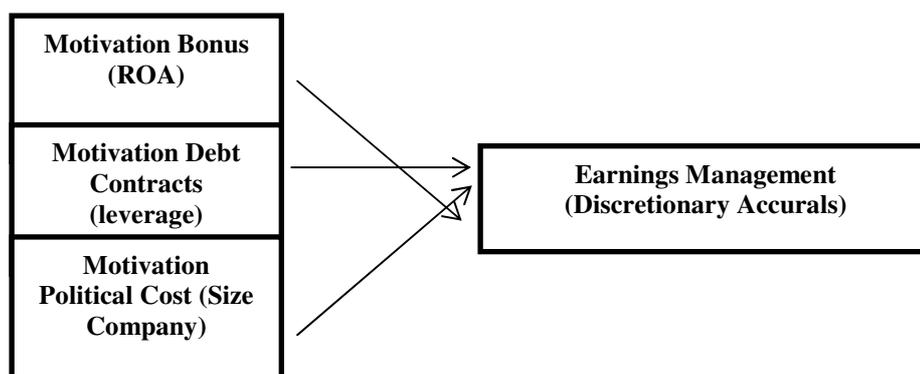
Motivation Debt Contracts
Based on the hypothesis of a debt contract, the company will conduct an aggressive earnings management to prevent violations of the debt contract (Watts, Zimmerman, 1986). Therefore, the amount of debt the company will motivate management to manage earnings.

Septa Dwi Aryani (2011: 207) debt variables can be measured by leverage. Leverage is the ratio of total liabilities to total capital of the company. The greater the leverage ratio, means that the higher the value of the company's debt. This size is strictly related to the presence and absence of a debt agreement. Companies that have high leverage ratios alleged earnings management because the company will have difficulty in obtaining additional funding from the creditors even threatened the company cannot meet debt payment obligations on time. Management will increase the profit (income increasing accruals) to avoid breaching the debt limit. The greater the leverage to be owned by the company, the greater the motivation of managers to manage earnings.

Motivation Political Cost (Size Company)
Firm size is a scale in which large and small companies can be classified. Watts, Zimmerman (1986) in the positive accounting theory states that the size of the company are used as guidelines for the political costs and political costs will increase with firm size and risk. Negative effect of firm size with earnings management. This happens because large companies tend to use accounting procedures which lowers profits for tax purposes.
Schematically, the motivation that can affect managers in managing earnings can be shown on the following picture:

Picture 1.Logical Framework

Hypothesis
Based on the above formulation of the problem, then the hypothesis formulated in this study are:
H1: Motivation bonuses negatively affect earnings management
H2: Motivation debt contract positive effect on earnings management
H3: Motivation sized companies a positive effect on earnings management

3. RESEARCH METHODS
Population and Sample Research
In this research, which made the entire population is in the form of data or documents and financial annual report on the company manufactures automotive sector and components listed in Indonesia Stock Exchange (IDX). This study uses empirical data with the sample companies listed in Indonesia Stock Exchange (IDX) 2011-2013 by 12 companies manufacture automotive and components sector, with a purposive sampling method is used as the sampling method. Some of the criteria set by the researchers in selecting the sample, among others:
1. The company manufactures automotive sector and the components listed on the Stock Exchange in 2011-2013
2. The company that issued audited financial statements for the period ended December 31, 2011-2013
3. Data on the variables to be studied research available in full in the company's annual financial statements published in 2011-2013

Variable analysis
Dependent variable in this research is earnings management. Accruals discretionary use as a proxy for earnings management is computed using the modified Jones model developed by Jones in 1991. These proxies are used to determine the magnitude of discretionary accruals (DA) due to earnings management occurs when the value of DA> 0. The model is written as follows:

$$TAC_{it} = NI_{it} - CFO_{it}$$

The total value of accruals (TAC) was estimated by the regression equation Ordinary Least Square (OLS) as follows:

$$\frac{TAC_{t,i}}{TA_{t-1}} = \alpha_1\left(\frac{1}{TA_{i,t-1}}\right) + \alpha_2\left(\frac{\Delta SALES}{TA_{i,t-1}}\right) + \alpha_3\left(\frac{PPE}{TA_{t-1}}\right) + \varepsilon$$

By using the above regression coefficient value of non-discretionary accruals (NDA) can be calculated by the formula:

$$NDA_{i,t} = \alpha_1\left(\frac{1}{TA_{i,t-1}}\right) + \alpha_2\left(\frac{\Delta SALES - \Delta REC}{TA_{i,t-1}}\right) + \alpha_3\left(\frac{PPE}{TA_{t-1}}\right) + \varepsilon$$

Further discretionary accruals (DA) can be calculated as follows:

$$DA_{it} = \frac{TAC_{t,i}}{TA_{t-1}} - NDA_{it}$$

Specification:

DA	=	*Discretionary accrual*
NDA	=	*Non-Discretionary accrual*
$TAC_{i,t-1}$	=	Total accruals for firm i in year t-1
NI_{it}	=	*Net Income /* Net profit of firm i in period t
CFO	=	cash flow from operating activities of firm i in period t
TA_{it}	=	total assets of firm i in year t-1
$\Delta SALES$	=	Changes in earnings of firm i in period t
ΔREC	=	Changes in receivables firm i in period t
ε	=	*error terms*

Independent variables in this study are a bonus motivation, motivation debt, politically motivated charges.

Motivation Bonus

Return on Assets (ROA) is a ratio to measure the ability of management to generate revenue from asset management. The higher this ratio means that the company more effective in utilizing the assets to produce a net profit after tax. The formula used is as follows:

ROA = EBIT
          Total Asset

Motivation Debt (Leverage)

The company's ability is to meet its obligations in proxied by the leverage which is measured using financial ratios. The equation used to calculate the leverage is as follows:

Leverage = Total Debt
                Total Asset

Motivation Political Cost (Size Company)

Company size (size) is a measure of the size of a company. Company size in this study is a reflection of the small size of the company that appeared in the total assets of the company. The formula used is as follows:

Company size (SIZE) = Ln (Total Assets)

Data Analysis Methods

The method of analysis in this study using multiple linear regression (multiple linear regression). Multiple regression analysis can explain the influence of the dependent variable with several independent variables. In multiple regression analysis required several steps and analysis tools. Before performing multiple linear regression analysis first tested the descriptive statistics and classical assumption. To simplify the analyses used SPSS 21 software (Statistical Package for Social Science).

Descriptive statistics illustrate the direct relationship between data collection and presentation of data and summarizing the results of summary. In other words statistics (mean) standard deviation, variance, maximum, minimum, sum, range. So that in this study the results of the analysis of data obtained qualified testing, the study tested the assumption to prove that the model used is normal and does not contain the symptoms of multicollinearity, autocorrelation, and heteroscedasticity. Then, test the hypothesis with multiple regression analysis models. In general, multiple regression analysis is essentially the study of the classical dependency dependent variable (bound) with one or more independent variables (explanatory variables / free) with whole estimating and / or predicting the population mean or average value of the dependent variable based on the value independent variables are known (Ghozali, 2006: 81). Multiple regression models used are as follows:

DA = a + b1ROA + b2 LEVERAGE + b3 UP + ε

Specification:

DA = Discretionary Accrual (earnings management)

ROA = Return on Assets (Motivation Bonus)

LEVERAGE = Leverage (Debt Contracts Motivation)

UP = Company Size (Motivation Political Cost)

a = constant

b1 = magnitude of the effect of ROA

b2 = magnitude of the effect of Leverage

b3 = magnitude of the effect size of the Company

ε = error

4. RESULTS AND DISCUSSION

The data used on Discretionary Accrual, ROA, LEV, and SIZE are used in this study are from the annual financial statements of the company samples downloaded on the website www.idx.co.id.

Descriptive Analysis

This analysis describes the qualitative analysis using descriptive statistics that will discuss the distribution of the data using SPSS. Results, if the data is intended to determine the level of goodness models and the influence of each independent variable on the dependent variable.

Table 1. Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DA	24	.0000	.2686	.097600	.0698071
ROA	24	.0000	.2696	.085341	.0686208
LEV	24	.2020	.7045	.450642	.1542296
SIZE	24	12.1133	30.7363	22.236226	5.8206694
Valid N (listwise)	24				

Based on Table 1, it is known that there are four variables DA research, ROA, LEV, SIZE with an overall sample size of 24 samples. Earnings management variables (DA) have an average value of 0.97600 with a standard deviation of 0.698071 and a minimum value of 0.0000 and the maximum value of 0.2686. Motivation variable bonus (ROA) has an average value of 0.85341 with a standard deviation of 0.0686208 and has a minimum value of 0.0000 and the maximum value of 0.2696. Motivation variable debt contracts (LEV) has an average rating of 0.450642 with a standard deviation of 0.1542296 and has a minimum value of 0.2020 and a maximum value of 0.7045. Variable size of the company (SIZE) has an average value of 22.236226 with a standard deviation of 5.8206694 and a minimum value of 12.1133 and 30.7363 maximum values.

Hypothesis Testing

Test coefficient of determination (R^2) is intended to assess the goodness of the model of the regression equation, which gives the proportion or percentage of the total variation in the dependent variable explained by the independent variables.

Table 2. Test The coefficient of determination (R^2)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.564[a]	.319	.216	.0617964	2.239

a. Predictors: (Constant), SIZE, LEV, ROA

b. Dependent Variable: DA

From Table 2 above,it shows that the R of 0.577 and the coefficient of determination of 0.216. This suggests that the ability of independent variables such as motivation bonuses, debt, and the size of the company will explain the dependent variable is the variance of earnings management amounted to 21% and by 79% variance of earnings management that has not been able to be explained by the independent variable in this study.

Simultaneous significance test (F test) is used to determine whether the independent variables which include a bonus motivation, motivation debt contracts, and the size of the companies jointly influence the dependent variable is earnings management.

Table 3. Significance Simultaneous Test (Test F)

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.036	3	.012	3.116	.049[a]
	Residual	.076	20	.004		
	Total	.112	23			

a. Predictors: (Constant), SIZE, LEV, ROA
b. Dependent Variable: DA

Based on Table 3, which is the result of the F test (simultaneous test), known calculated F value of 3.116 with a significance value of 0.049. From the test results, then Ho is rejected, meaning that the independent variable is ROA, LEV, and SIZE alongside other control variables affect the dependent variable is earnings management.

Regression coefficient test (t test) was used to determine the influence of independent variables such as motivation bonuses, debt, and the size of the company on the dependent variable is earnings management, we used the results of the t test to compare the estimated probability value. If the probability value is less than $\alpha = 5\%$, it can be said to have an influence. The results of testing the hypothesis presented in the following table:

Table 4. t-Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	.007	.069		-.108	.915		
	ROA	-.329	.193	-.323	-1.698	.105	.942	1.061
	LEV	.163	.086	.361	1.899	.072	.942	1.061
	SIZE	.002	.002	.167	.905	.376	1.000	1.000

a. Dependent Variable: DA

From Table 4 it can be seen the following regression equation:
Y = 0.007 to 0.329 (X1) + 0.163 (X2) + 0.002 (X3)
Specification:
Y = Profit Management
X1 = Motivation Bonus (ROA)
X2 = Motivation Debt Contracts (LEV)
X3 = Motivation Company Size (SIZE)
From the regression equation above shows that the hypothesis of this study indicated that:

Motivation bonuses to earnings management
Based on the analysis results can be seen that the value of the unstandardized coefficients ROA against DA is -0.329 with significance level of 0.105. From the results of the regression testing, it can be explained that the motivation bonus no significant effect on earnings management. Although, not significant, but the negative sign on the coefficient describing the existence of a negative relationship between motivation in doing earnings management bonuses. The results of this study failed to indicate a bonus plan as motivation manager in managing earnings. Arguments possible failure hypothesis because its owner determines the bonus is not seen from ROA but based on the amount of the bonus targets that have been set by the company earlier.

Motivation contract debt to earnings management
Based on the analysis results can be seen that the value of the variable LEV unstandardized coefficients of the DA is 0.163 with a significance level of 0.072. From the test results can be explained that the debt levels had no significant effect on earnings management. Positive sign on the coefficients indicate a positive relationship between debt contracts with earnings management. The greater the level of debt coefficient, the higher the manager will act profit management companies.

Motivation size companies to earnings management

Based on the analysis results can be seen that the value of the variable SIZE unstandardized coefficients of the DA is 0.002 with a significance level of 0.376 (> 0.05). From the results of the regression testing, it can be explained that the size of the company does not have a significant effect on earnings management. Positive sign on the coefficients describe the existence of a positive relationship between firm size and earnings management. Although the relationship is not significant but the sign on the coefficient has been able to explain the existence of a positive relationship.

5. CONCLUSIONS AND SUGGESTIONS

Conclusion

Based on the results of research and discussion in advance, it can be concluded that:

Motivation bonuses (ROA), partially negative impact (-0.329) but is not significant (0.105) to earnings management. But simultaneously have a positive impact on earnings management (<0.05). This indicates that the level of bonuses given to the company owner managers can not contribute to the manager in managing earnings.

Motivation contract debt (leverage), partially positive effect (0.163) but also is not significant (0.72) to earnings management. Simultaneously providing a positive effect on earnings management (<0.05). This indicates that the company's debt level can contribute to managers in managing earnings.

Motivation political costs (the size of the company) in partial positive effect (0.002) but not significant (0.376) to earnings management. But simultaneously have a positive impact on earnings management (<0.05). This indicates that the political costs (the size of the company) cannot contribute to the manager in managing earnings.

Advice and recommendations to the next research

Based on the analysis of research and discussion, we then formulated a number of recommendations aimed at advanced researchers, investors and issuers in particular related to earnings management, among others:

Further research is expected to use another proxy in determining the value of the bonus motivation. Further research may add other independent variables are supposed to influence the earnings management. Further research is expected to use a different proxy in finding the value of earnings management. So, they can see their earnings management with different viewpoints.

For investors expected with this research can be more selective in choosing the company that is devoted to investment, with not only the look but the company's earnings to consider internal and external supervision to minimize the risk of investment mistakes.

Limitation of the Research

From the research that has been done, the researchers discovered the limitations of the problems encountered during the process of research, among others:

1. Company sampled in this study only one type of manufacturing companies namely automotive and components sector.
2. Data used in the study only used a written financial report obtained from data download
3. Research just use a period of 3 years running (2011-2013) that may be made from previous year

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