

THE INFLUENCE OF ACCRUAL EARNINGS MANAGEMENT, REAL EARNINGS MANAGEMENT AND AUDITOR'S REPUTATION ON COMPANY VALUE WITH MODERATION OF CORPORATE GOVERNANCE

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ABSTRACT

Urgency of this research is because there is still a gap in previous research regarding earnings management and auditor reputation on company value. Novelty in the research by adding the corporate governance mechanism factor as a moderating variable which was not investigated in previous research. This research aims to test the effect of accrual earnings management, real earnings management, and auditor's reputation on firm value with corporate governance as moderator. The research sample used was 133 manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2021 period. The method of determining the sample using a purposive technique with reference to several established criteria. The data analysis method uses panel data regression through the approach Generalized Method of Moments (GMM). The results showed that accruals and real earnings management had a negative effect on firm value, while auditor reputation had a positive effect on firm value. Apart from that, research also shows that corporate governance is able to weaken the influence of accrual and real earnings management on company value, and strengthen the influence of auditor reputation on company value. This research raises managerial contributions for companies to further improve corporate governance through the implementation of the ACGS scorecard in providing transparency and accountability to stakeholders.

Keywords: *accrual earnings management, real earnings management, auditor reputation, corporate governance, company values.*

INTRODUCTION

The company was founded with the aim of obtaining optimal profits, maintaining and increasing shareholder wealth, and maximizing corporate value. Company value is the ability of potential investors to pay a certain price if the company is sold (Ali et al., 2021). In addition, the value of the company is a description of certain conditions that have been achieved after going through a process of activities for several years, which began when the company was founded. Meanwhile, when a company has a high value, then the company has shown good performance, and conversely, if the company value is still low, then the company has a performance below its true value. (Zurriah, 2021). For companies listed on the Indonesia Stock Exchange, the value of the company can be seen from the mechanism of demand and supply on the stock exchange which is reflected in the listing price (Nafiah & Fauziyanti, 2022). Therefore, the value of the company determines the market value of the company, both short term and long term.

In the Indonesian capital market, the market value of companies listed on the Indonesia Stock Exchange has experienced ups and downs, especially with the Covid-19 pandemic. This is shown by the decline in the Composite Stock Price Index (IHSG) from the level of 6300 to the level of 3900 within three months, in 2020 (Syamsu, 2021). However, the manufacturing sector showed growth of 6.01%, so that it was still able to support the JCI movement apart from the basic industrial sector and consumer goods, namely 11.39% and 5.46% (Kontan.com). This makes the food and beverage industry, which is within the consumer goods manufacturing sector, considered to have bright prospects in the future because the need for food and beverages is quite large in society. However, in the conditions of the Covid-19 pandemic, it is not only the food and beverage sub-sector that is needed, but the need and demand for products from several pharmaceutical sub-sector companies has also increased, such as medicines, body supplements, health equipment and expeditions. (Kontan.com)

An increase in sales growth can occur due to the increasing demand for products from this sector. So that capital market players can also see an increase in the company's share price, especially in the pharmaceutical industry. On the other hand, an increase in sales growth can occur due to earnings management activities that affect company value as seen from the company's financial performance to attract investors. For example, Chen & Hung (2021) suggests that earnings management activities carried out by company management increase company value, if measured by discretionary accruals. They conclude that earnings management activities through real earnings management have an effect on earnings of questionable quality. Study Bhatti et al. (2021) revealed that financial management carried out by management absolutely involves accrual earnings management techniques to reduce company risk. They also prove that persistence and accrual earnings management activities are able to influence stakeholders' attitudes in making decisions. This is because the company's management determines accounting policies so that several objectives can be achieved.

Based on the results of previous studies described above, this research will examine the influence of earnings management and auditor reputation on company value. The motivation for this research is to re-examine the influence of earnings management and auditor reputation on company value because there are still inconsistent results from previous empirical evidence. Like Chen & Hung (2021) test the effect of real earnings management on discretionary accruals. The results of this research show that real earnings management has a positive influence on increased discretionary accruals. However, these results are not in line with research Eng et al. (2019) who found that real earnings management decreases discretionary accruals in a family company in China. Later in his research Riswandi & Yuniarti (2020) And Lestari & Larasati (2022) states that real earnings management and accrual earnings management influence company value positively. but on the other side Deva & Machdar (2017); Princess (2019); Purwanto et al. (2020); Sambo & Rahma (2022) And Janah et al. (2022) in his research stated that real earnings management and accrual earnings management have a negative effect on company value. On the other hand, Wafiyah & Santoso (2021) examine the influence of auditor reputation and company value in the goods and consumption sector. The results of their research show that the auditor's reputation has a positive effect on company value. While

research (Goddess, 2020) And (Insyaroh & Widiatmoko, 2022) found that the auditor's reputation has no effect on company value.

However, this research will develop research from Chen & Hung (2021) nor Wafiyah & Santoso (2021) by adding the corporate governance mechanism factor as a moderating variable which was not investigated in the two studies. The reason for adding corporate governance factors is because of the existence of internal monitoring mechanisms such as audit committees, internal audits and managerial ownership. With the corporate governance variable as internal control, management activities in carrying out earnings management techniques will be minimized. Based on the preliminary description, this research will take the title "The influence of accrual earnings management, real earnings management and auditor reputation on company value with corporate governance mechanisms as a moderator".

LITERATURE REVIEW

Agency Theory

Agency theory is a theory related to the relationship between the principal and the agent. This agency theory creates a model of a contractual relationship between an agent and a principal. The principal delegates decision-making responsibility to the agent in accordance with the employment contract. The duties, authority, rights and responsibilities of agents and principals are regulated in a mutually agreed work contract. In this agency relationship, several problems will arise, including information asymmetry and conflicts of interest (Jensen and Meckling (1976) in Azzahra et al., 2021). In terms of corporate value, agency theory has a role as a basis for business practices carried out to increase corporate value and provide prosperity to principals. Firm value is important because investors will use their analysis in evaluating company value to support decision making, both short term and long term.

The value of the company

According to Santoso (2017) that company value is performance shown through share prices which are formed by demand and supply in the capital market which reflects the public's assessment of the company's performance. Meanwhile according to Abbas et al. (2021) states that the value of the company is the perception of investors on the level of success of the company which is reflected through the stock price. Then the value of the company can be measured through the market value ratio which is a ratio that connects the company's share price with its profits and with

the company's book value (Supitriyani et al., 2020) & (Suhardi & Fadli, 2021). The company's stock price is one measure used in measuring the value of the company (Anggraini & Nyale, 2022).

Profit management

Accrual earnings management is the difference between the incoming cash (net) from the company's operating results and the profit reported in the company's profit and loss statement (Khanifah et al., 2020). Whereas *real earnings management* is an act of manipulation carried out by management through the company's daily activities during the accounting period (Adryanti, 2019). There are three ways to detect *real earnings management* carried out by company management, including: first, sales manipulation, second, manipulation through overproduction, and finally a reduction in discretionary costs (Safrihana & Rahani, 2019). One way that is often used to measure *real earnings management* through manipulation of reduced discretionary expenses to reduce reported profit with the aim of increasing current year profit (Safrihana & Rahani, 2019). Generally a company performs earnings management due to financial distress (Tsaqif & Agustiningsih, 2021).

Auditor's Reputation

(Mulyono, 2017) stated that auditor reputation is a process to reduce the misalignment of information between management and shareholders by using outside parties to provide validation of financial reports. The auditor's reputation can be seen when there is consideration that to maintain its credibility, the auditor will be more careful in carrying out the audit process to detect misstatements or fraud (Mulyono, 2017). According to Wahyudi et al. (2022) the previous year's audit opinion had a positive effect on receiving going-concern audit opinions, thus the reputation of the auditor is very important in investor confidence.

Corporate Governance

Corporate governance is defined as the relationship between a corporation and all of its stakeholders, and as a set of mechanisms by which investors protect themselves from takeover by those within the company. Corporate governance initially appears to reduce conflicts of interest between management and shareholders given the separation between ownership and control. The agency framework suggests that internal monitoring mechanisms can help ensure that directors implement policies that maximize shareholder wealth where these mechanisms include the proportion of non-executive directors from the board group, the separation of chairman

and executive positions and the creation of board sub-commissions. According to Suhardi & Fadli (2021) Corporate governance is a series of processes, routines, policies, regulations and institutions that influence the direction, management and control of a company. Lack of good corporate governance can raise suspicions in company management (Mahroji et al., 2022).

Relationship Between Variables

The Effect of Accrual Earnings Management on Company Value

When company management deliberately carries out excessive accrual earnings management activities to increase company profits. However, if in the end investors suspect and know that management has carried out excessive accrual earnings management activities, then this will have an impact on decreasing investor confidence. Therefore, with the increase in accrual earnings management activities carried out by management, it will reduce the value of the company.

Results of research carried out Deva & Machdar (2017) as well as Yusnita (2019) states that *accrual earnings management* has a negative effect on company value. So that from some of the previous descriptions and empirical evidence, it can be concluded that the first hypothesis formulation:

H1 : *Accrual Earnings Management* negative effect on company value

The Effect of Real Earnings Management on Company Value

Real earnings management activities carried out by management on company value, where there are management actions that are different from the company's business practices that usually occur, such as concessions on credit applications (receivables) and the provision of discounted prices to increase sales (temporarily) in certain periods, activities excessive production to obtain a lower cost of goods sold compared to the cost of goods sold in normal production activities, as well as a reduction or reduction in discretionary expenditure which will result in a reduction or reduction of discretionary expenses related to expenditure costs originating from advertising costs, research and development, selling, administrative and general expenses in the period (Deva & Machdar 2017).

The results of research conducted by Yusnita (2019); Deva & Machdar (2017) by stating that *real earnings management* has a negative effect on firm value. So that from some of the previous descriptions and empirical evidence, it can be concluded that the second hypothesis formulation:

H2: Real Earnings Management has a negative effect on firm value

Effect of Auditor's Reputation on Company Value

The relationship between the auditor's reputation and company value, namely when the auditor's name tends to have greater monitoring power in producing greater information quality and credibility, so that the market is expected to respond positively to greater quality and credible information. Then, the reputation of the auditor is also a factor that influences management to report discretionary accruals. This is because auditors who have a high reputation can detect the possibility of earnings management earlier, thereby reducing the possibility for management to carry out earnings management.

The results of research conducted by Yusnita (2019); Utomo & Dianawati (2017) by stating that the auditor's reputation has a positive effect on company value. So from several previous descriptions and empirical evidence, we can conclude the formulation of the third hypothesis.

H3: Auditor reputation has a positive effect on firm value

The Effect of Accrual Earnings Management on Corporate Value Moderated by Corporate Governance

Accrual earnings management done by changing the accounting method or estimation used by the company in recording a transaction which will affect the income reported in the financial statements. This is based on the fact that usually there has been a fairly strong information asymmetry between management as managers and shareholders. However, with the existence of a good corporate governance mechanism as a moderator, it is hoped that it will be able to minimize agency conflicts that occur. One of the practices in implementing GCG is through the ASEAN Corporate Governance Scorecard (ACGS) which is an instrument for assessing practices in public corporate governance and is based on public information, which among others is contained in the annual report. (Jayanti & Husaini, 2018).

With the moderation of the GCG mechanism, it is hoped that it will be able to minimize and reduce management's opportunistic behavior through accrual earnings management actions, so that it is hoped that management will produce and report financial performance that is in accordance with actual conditions. Therefore, the formulation of the fourth hypothesis

H4: Corporate governance mechanisms weaken the effect of accrual earnings management on firm value

The Effect of Real Earnings Management on Company Value Moderated Corporate Governance

There are management actions that are different from the company's usual business practices, such as leeway on credit applications (receivables) and giving discount prices to increase sales (temporarily) in certain periods, excessive production activities to obtain a higher cost of goods sold. low compared to the cost of goods sold in normal production activities, as well as a decrease or reduction in discretionary expenditure which will have an impact on a decrease or reduction in discretionary expense related to expenditure costs originating from advertising, research and development costs, selling, administration and general costs in the period the (Deva & Machdar, 2017).

Therefore, the implementation of GCG practices will have an impact on reducing management's desire to take action *real earnings management*, so that the company value reflected in the company's share price is obtained from the results of the company's performance in accordance with the actual situation. The formulation of the fifth hypothesis is as follows:

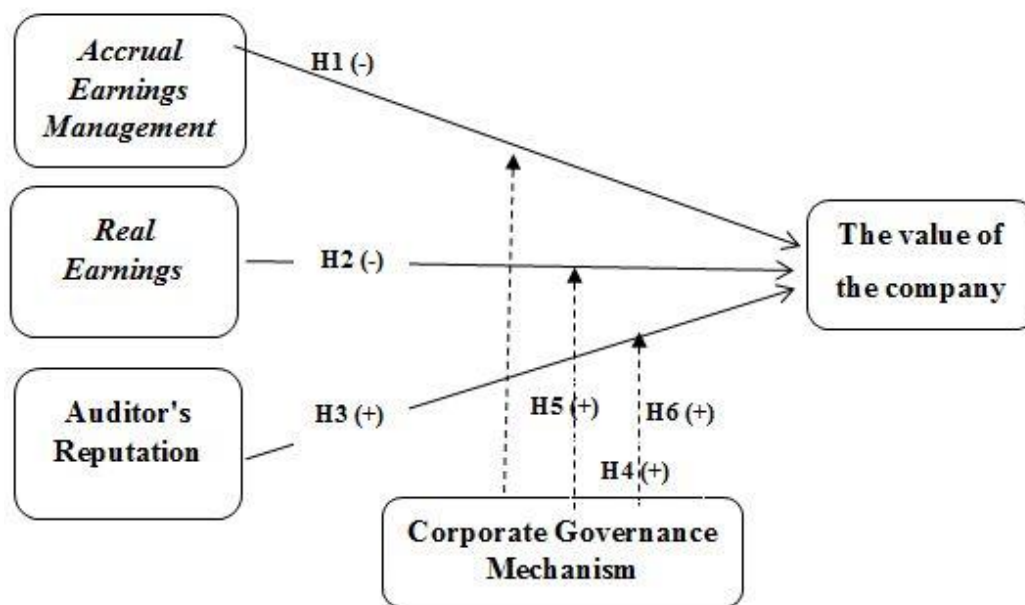
H5: Corporate governance mechanisms weaken the effect of real earnings management on firm value

Effect of Auditor's Reputation on Company Value Moderated Corporate Governance

Quality, relevant and reliable audited financial reports result from audits carried out effectively by qualified auditors, so that users of financial statements have more confidence in audited financial statements audited by auditors who are considered to be of high quality compared to auditors who are less qualified. Meanwhile, the company's value is the performance shown through the share price formed by demand and supply in the capital market which reflects the public's assessment of the company's performance. (Pahlevi, 2020). With the pattern of implementing good corporate governance, through the practice of assessing the ASEAN CG Scorecard on transparency and disclosure related to company performance activities, it can strengthen the auditor in assessing every financial transaction of the audited company, so as to be able to present important information in the audited financial statements related to entity financial performance.

H6: Corporate governance mechanisms strengthen the effect of auditor reputation on firm value

From the hypothesis above, the research model is obtained:



Picture1. Research Model

RESEARCH METHODS

The method used in this research is descriptive analysis with the aim of getting an accurate picture and explanation of company value seen from the aspects of accrual earnings management and real earnings management, as well as the auditor's reputation through the connecting aspect of earnings quality and the interaction of corporate governance aspects. Then, this research uses a quantitative approach which aims to gain an understanding of qualitative phenomena and translate them into quantitative numbers so that they can be analyzed statistically so that they can be translated into qualitative language.

The population in this study were 335 public companies, especially in the manufacturing sector which were listed on the Indonesia Stock Exchange (IDX) for the 2019-2021 period which were used as research samples. The reason researchers took manufacturing companies listed on the IDX is because they are based on a very diverse number of sub-sectors for the type of industry, so that interested parties will always have a great interest in the important information presented in the company's annual report. In addition, in the sampling technique using purposive sampling technique, 61 samples were obtained with a total of 3 years of observational data of 183 data.

Then, variable measurement is a process of assigning values or attributes to an object or research instrument used. In this research, Accrual

earnings management is measured using the previous empirical model, namely the deep Modified Jones Model (Kothari et al., 2016) used to detect earnings management activities through discretionary accruals with a ratio scale type. Real Earnings Management is measured by an estimation model for abnormal production costs, namely the sum of the cost of goods sold (COGS) and changes in inventory (ΔINV) throughout the year or the difference between the actual year's inventory and the previous year's. Auditor Reputation Measurement using a KAP affiliated with the Big Four KAP. Reputable KAPs are proxies with The Big Four (PWC, EY, KPMG and Deloitte). This is because KAPs affiliated with The Big Four tend to be trusted to have a good name, so it is hoped that when they provide audit reports to the public, they can create interest among investing parties. Likewise, vice versa, KAPs that do not have affiliations with the big four tend to give less confidence to investors, especially investors who have a high level of interest in seeing the company's financial performance. (Utomo & Dianawati, 2017). Therefore, the auditor's reputation is a qualitative variable (dummy) or a category for the assessment specified above, so that to convert it into a quantitative assessment it must be converted to a nominal scale. The moderating variable is the mechanism *corporate governance* in this research proposal is measured using the assessment instrument from the ASEAN CG Scorecard (ACGS) with the stages of calculating the disclosure index from level 1 which represents the OECD principles. Firm value in this

research proposal is measured using the Tobin's q ratio developed by (Tobin, 1969). This ratio shows the market value of equity (Equity Market Value), which is obtained from multiplying the closing stock price at the end of the year with the number of different shares at the end of the year. Then the book value of equity (Equity Book Value), which is obtained from the difference between the company's total assets and total liabilities,

Furthermore, The data analysis method used in this research proposal uses a Generalized Method of Moment (GMM) approach to Dynamic Panel Data through path analysis. Generalized Method of Moment (GMM) is a general method that aims to estimate parameters or measures of statistical models using dynamic panel data (Fitriandari, 2018). The GMM approach in this study is used to measure the magnitude of influence onnamik of the company's internal variables to the level of firm value. The reason researchers use the GMM approach is because there is a procedure that can provide several advantages over the development of panel models formed by involving dependent variables, namely the potential for bias in the estimator to be eliminated by eliminating the error value (μ), the use of Instrument variables can produce consistent estimators, even though there are dependent variables in the model being estimated and the use of instruments can enable the existence of consistent estimators, even though there are measurement error variables.

Therefore, to test the dynamic influence of accrual and real earnings management, auditor reputation, and moderation of corporate governance mechanisms on company value, by first creating

the equation in developing the GMM model as follows:

$$NPi,t = \beta_5 AEMi,t + \beta_6 REMi,t + \beta_7 RAi,t + \beta_8 CGi,t + \beta_9 AEMCGi,t + \beta_{10} REMCGi,t + \beta_{11} RACGi,t + \beta_{12} NPi,t + \mu_{i,t} \quad (2)$$

Where:

- i : Cross Section
- t : Time
- NPi,t : The value of the company i
- $AEMi,t$: Accrual Earnings Management i
- $REMi,t$: Real Earnings Management i
- RAi,t : Auditor Reputation i
- CGi,t : Corporate Governance i
- $AEMCGi,t$: Interaction of AEM and CG i
- $REMCGi,t$: Interaction of REM and CG i
- $RACGi,t$: Interaction of RA and CG i
- NPi,t : Firm value $i = 1, \dots, n, t = 1, \dots, n$
- $\beta_1, 2, \dots, 13$: Coefficient $X_{\tau 1, 2, 3, \dots, n}$
- $\mu_{i,t}$: Error term

RESULTS AND DISCUSSION

Object of Research

The population used in this study are go public companies in the manufacturing industry sub-sector which are listed on the Indonesia Stock Exchange (IDX) for the 2019-2021 period. The number of samples selected were companies that met all the criteria set when the purposive sampling method was used, so that the number of samples used was 61 companies out of a total of 67 companies included in the survey. *Indonesia Institute for Corporate Directorship (IICD)* and the Financial Services Authority (OJK) regarding conditions *corporate governance-his*. Based on predetermined criteria, this study obtained 133 data samples with the following details:

Table1. Company Sample Criteria

Stages	Criteria	Amount
1.	Manufacturing sector companies listed on the Indonesia Stock Exchange consecutively from 2019-2021.	335
2.	Manufacturing sector companies that did not publish audited financial reports in rupiah in a row from 2019-2021.	(57)
3.	Manufacturing sector companies that did not consistently earn profits from 2019-2021.	(60)
4.	Companies in the manufacturing sector that have carried out consecutive restatements from 2019-2021.	(35)
5.	Number of samples from 2019-2021	183
6.	<i>First Difference</i> from GMM	(50)
	Number of samples used	133

Analysis of Research Results

The hypothesis in this study was tested using an approach *Generalized Method of Moments (GMM) on Dynamic Data Panels*. The aim is to get a comprehensive picture of influence

accrual earnings management, and the auditor's reputation on company value with *corporate governance* as a moderator for manufacturing companies listed on the Indonesia Stock Exchange for the 2019-2021 period.

Descriptive statistics

Based on the results of descriptive statistical tests, data was obtained which was the result of multiplying the number of company samples totaling 61 companies with a total research year period of 3 years, resulting in 183 research data. However, because there is a degree of integration

test, the number of observations in the previous year is reduced by 50 research data, so that the data that can be observed is 133. Therefore, in descriptive statistics, a description of the data from all the variables included in the research concept is presented. The following are descriptive statistics of the variables used as follows:

Table 2. Descriptive Test

Variable	Obs	Means	std. Dev	Min	Max
The value of the company	133	2,107	2,358	0.016	9,724
Corporate Governance	133	0.717	0.083	0.512	0.917
Accrual Earnings Management	133	1080	2,765	0,000	35,747
Real Earnings Management	133	10,900	10,809	0.021	68,210

Source: Stata Ver. 14

Based on table 4.2, it can be seen that the data description of the five variables used in this research is as follows:

First, the firm value variable in this study shows that the minimum value is 0.016 and the maximum value is 9.724. It can be said that the value of the company's value in this research sample ranges from 0.016 to 9.724 with an average (mean) of 2.107 at a standard deviation of 2.358. Second, the corporate governance variable in this study shows that the minimum value is 0.512 and the maximum value is 0.917. It can be said that the value of corporate governance in this study sample ranged from 0.512 to 0.917 with an average (mean) of 0.717 at a standard deviation of 0.833.

Third, the accrual earnings management variable in this study shows that the minimum value is 0.000 and the maximum value is 35.747. It can be said that the value of accrual earnings

management in this research sample ranges from 0.000 to 35.747 with an average of 1.080 and a standard deviation of 2.765. And finally, the real earnings management value variable in this study shows that the minimum value is 0.021 and the maximum value is 68.210. It can be said that the value of real earnings management in this research sample ranges from 0.021 to 68.210 with an average of 10.900 and a standard deviation of 10.809.

Then, this research also uses a categorical variable, namely auditor reputation through determining criteria for KAPs that are affiliated with the *big four* given a value of 1 and KAPs that are not affiliated with the big four are given a value of 0. Based on these two criteria, the frequency distribution of the total 133 samples used in this study on the auditor's reputation variable is as follows:

Table 3. Auditor Reputation Assessment Category

Category	Frequency	Percentage	Kum.%
0	82	61.65	61.65
1	51	38.35	100.00
Total	133	100.00	

Source: Stata Ver. 14

In table 4.3. KAPs that tend to have a less good reputation are given the number 0 with a total of 82 KAPs or 61.6%, while KAPs that tend to have a good reputation are given the number 1 with a total of 51 KAPs or 38.3%.

Estimator feasibility test results

The model feasibility test was carried out to provide an assumption that the data used can

provide results that can avoid the possibility of errors or bias towards estimates. The following are the stages of estimator testing *Generalized Method of Moments* by using dynamic panel data, namely:

Test results root unit

The unit root test was carried out using the Fisher et al (2002) type approach *Dickey-Fuller unit root test* with the following results:

Table 4. Unit Root Test Results

Method	Variable	Statistics	probability	Levels
<i>Fisher in</i> <i>Dickey-Fuller</i>	NP	148,201	0.0013	Stationary
	cg	363,233	0.0000	Stationary
	AEM	364,275	0.0000	Stationary
<i>Null: Unit root</i> <i>(Non-Stationery)</i>	BRAKE	308,113	0.0002	Stationary
	R.A	2.4995	0.2866	Non-Stationary
	Int_ARM_CG	264,210	0.0000	Stationary
	Int_REM_CG	274,624	0.0000	Stationary
	Int_RA_CG	439,636	0.0000	Stationary

Source: Stata Ver. 14

Based on test results *Dickey-Fuller unit root test* It can be seen that of the 5 variables and 3 interaction variables there are 7, namely NP, CG, AEM, REM, AEMCG Interaction, REMCG Interaction and RACG Interaction which have a probability below 0.05. This means that it can be concluded that there is no unit root (stationary) in the data used. Meanwhile, the RA variable has a

probability above 0.05. This means that it can be concluded that there is a unit root (not stationary) in the data used. If the test shows that there is a unit root (not stationary) in the data, then it is necessary to carry out a second test, namely the degree of integration test (*first difference*) with the following results:

Table 5. The results of the degree of integration test

Method	Variable	Statistics	probability	First Difference
<i>Fisher in</i> <i>Dickey-Fuller</i>	NP	148,201	0.0000	Stationary
	cg	363,233	0.0000	Stationary
	AEM	364,275	0.0000	Stationary
<i>Null: Unit root</i> <i>(Non-Stationery)</i>	BRAKE	308,113	0.0000	Stationary
	R.A	20.2488	0.0000	Stationary
	Int_AEM_CG	264,210	0.0000	Stationary
	Int_REM_CG	274,624	0.0000	Stationary
	Int_RA_CG	439,636	0.0000	Stationary

Source: Stata Ver. 14

Based on the table above, it can be seen from the results of the second test, namely the degree of integration test shows that 9 variables namely NP, CG, AEM, REM, RA, AEMCG Interaction, REMCG Interaction and RACG Interaction have a probability value below 0.05. That is, it can be concluded that all data on the 8 variables are not affected by unit roots or it can be said that the data is in a stationary condition.

Cointegration test results (*cointegration test*)

The cointegration test is carried out to find a direction *trendon* each of the 8 variables used, namely NP, CG, AEM, REM, RA, AEMCG Interaction, REMCG Interaction and RACG Interaction through the method *Pedroni Residual Cointegration Test* by looking at the value of the residuals on the simultaneous regression as follows:

Table 6. Cointegration test results

Method	Variable	Statistics	probability	Conclusion
<i>Pedroni Cointegration Test</i>	PP panels	7.7240	0.0000	<i>Cointegration</i>
		17.3249	0.0000	<i>Cointegration</i>
<i>Null: Cointegration</i>	PP Group	15.9417	0.0000	<i>Cointegration</i>

Source: Eviews Processing Results ver. 11

Based on the table above, it can be seen that the results of the cointegration test using the pedroni test show a probability value below 0.05 on the PP-Statistics Panel and PP-Statistics Group which is equal to 0.0000. This means that it can be concluded that there is cointegration between variables both within dimensions and between dimensions.

Instrument validity test results

Test the validity of the instrument in this study using an approach *Sargan Specification Test* which has the aim of looking at the variables used, the possibility of bias in the estimated parameters due to inaccurate use of variables in the equation model created. The following are the results of the instrument validity test.

Table 7. Instrument validity test results

Method	Probability (J-Statistic)
Null: Condition of Moment Valid $\rightarrow > 0.05$	
Sargan Specification Test (DV NP)	0.6235

Source: Eviews Processing Results ver. 11

Based on test results *Sargan Specifications* In the table above, it can be seen that the residual values resulting from the 8 variables namely NP, CG, AEM, REM, RA, AEMCG Interaction, REMCG Interaction and RACG Interaction used in this study have a value above 0.05 which is equal to 0.6235 . That is, it can be concluded that there are conditions of moment (valid instruments used).

GMM test results

Model *Generalized Method of Moments* (GMM) was first introduced by Arellano & Bond in 1991. This model was created to overcome the boundary problem which assumes no serial correlation in the residuals in the linear model. As in equations that contain individual effects, the dependent variable is in the form of lag, and the use of weak exogenous variables

(Arellano & Bond, 1991). Analysis model *Generalized Method of Moments* is a dynamic regression analysis model, characterized by the presence of a dependent variable in the form of a lag in the equation. Therefore, this model is appropriate to be used to find empirical evidence on the factors that cause changes in firm value as seen from the demand and supply of company stock prices. This is because the stock price is not directly influenced by the binding variable in the same period (t), but requires a time interval (t-1, t-2,...tn). In the direct influence test, researchers used 1 lag on the dependent variable, namely KL (Profit Quality) and NP (Company Value). This means that the instrument used to go back one year of data will be more valid. Therefore, the results obtained from the direct influence test can be seen as follows:

Table 8. GMM test results

Hypo	Path	expectations (Hope)	Coeff	IV to DV		Conclusion (Conclusion)
				P-Value (2-Tailed)	P-Value (1-Tailed)	
	NP(-1)	N/A	0.239	0.185	0.009	N/A
H1	AEM \rightarrow NP	(-)	-1,347	0.048	0.024	H1 Accepted
H2	BRAKE \rightarrow NP	(-)	-0.041	0.022	0.011	H2 Accepted
H3	R.A \rightarrow NP	(+)	0.111	0.082	0.041	H3 Accepted
H4	Int_AEMCG \rightarrow NP	(+)	1,413	0.026	0.013	H4 Accepted
H5	Int_REMCG \rightarrow NP	(+)	0.095	0.092	0.043	H5 Accepted
H6	Int_RACG \rightarrow NP	(+)	3,171	0,000	***	H6 Accepted
Effects Specification						
Cross-section fixed (first difference)						
Mean dependent var		0.677812		0.574872		SD dependent var
SE of Regression		0.759101	N/A	103.5433		sum. Square Residual
J-Statistics		62.35		200		Tool Rank
Prob (J-Statistic)		0.6235				

Source: Results of Stata Ver.14

DISCUSSION

The effect of accrual earnings management on company value

Accrual Earnings Management negative effect on Firm Value. The results of this study indicate that freedom in accrual accounting techniques requires estimation and judgment (*judgment*) which results in management having freedom in setting accounting policies. Although this freedom provides an opportunity for management to present a more informative picture of the company's business activities, the technicalities of this freedom can also allow them to beautify financial reports (*window-dress financial statement*) and managing earnings. The results of this study are in line with research Yusnita (2019) And (Deva & Machdar, 2017) which suggests that accrual earnings management activities have a negative effect on company value.

This is in accordance with agency theory (Jensen and Meckling (1976) in Azzahra et al., 2021). The relationship between agents (such as managers or company executives) and principals (such as shareholders or company owners). This theory tries to explain how the interests of the two parties can conflict. In the context of earnings management, agency theory can be relevant because managers may have incentives to manage financial statements in certain ways that may not always be in line with shareholder interests.

Earnings management is the practice of managing or manipulating a company's financial reports to influence stakeholder perceptions of financial performance. One aspect of earnings management is accrual earnings management, which involves adjusting accruals in financial statements to achieve certain goals, such as influencing net income.

The influence of accrual earnings management on firm value can be interpreted within the framework of agency theory. For example, if a manager uses earnings management practices to increase company profits in the short term, this may seem profitable to the manager because it can improve his performance or incentives. However, if these actions reduce the long-term value of the company or create uncertainty about the company's financial health, this could conflict with the long-term interests of shareholders or principals.

Influen cereal earnings management on company value

The research results prove that in *Real Earnings Management* negative effect on company value. Even though the manipulation is done to

meet the expected profit level or prevent losses from declining stock prices that may occur, this will affect the company's value in that period and expectations in the future, with the assumption that the higher the company's value, it can be said that the company has better performance. the better, but shareholders and other providers of capital cannot know the actual performance of the company and the benefits of the information provided will decrease, due to fears that these parties will make decisions beyond the company's expectations. With real earnings management activities carried out by company management, it will have an impact on decreasing company value. Yusnita (2019) And (Deva & Machdar, 2017) by stating that real earnings management has a negative effect on firm value.

In the context of real earnings management, agency theory still plays an important role because managers have incentives to manage company operations in order to produce financial reports that reflect the performance expected by shareholders (Jensen and Meckling (1976) in Azzahra et al., 2021).

Real earnings management refers to the practice of managing operational or non-accounting factors within a company to influence financial performance or results. This can include decisions regarding pricing, selection of production strategies, resource allocation, and so on. The influence of real earnings management on company value can have a significant impact in the long term.

In the context of agency theory, real earnings management can influence firm value in various ways. For example, managers who make operational decisions to maximize profits in the short term may be able to create rapid growth in profits, but this may not be consistent with the long-term interests of shareholders. These practices may increase risks or reduce the long-term sustainability of the company.

Effect of auditor reputation on firm value

Auditor reputation has a positive effect on firm value. The results of this research show that an auditor who has a good reputation is a process to reduce the misalignment of information between management and shareholders by using outside parties to provide validation of financial reports. The auditor's reputation can be seen when there is consideration that to maintain its credibility, the auditor will be more careful in carrying out the audit process to detect misstatements or fraud. (Mulyono, 2017). This is because auditors who have a high reputation can detect the possibility of earnings management earlier, thereby

reducing the possibility for management to carry out earnings management. The results of this study are in line with research conducted by Yusnita (2019); (Utomo & Dianawati, 2017) by stating that the auditor's reputation has a positive effect on firm value.

The auditor's reputation plays an important role in securing shareholder confidence in the financial reports presented by management. Independent auditors who have a good reputation can provide external assurance about the accuracy and reliability of a company's financial reports.

In agency theory (Jensen and Meckling (1976) in Azzahra et al., 2021). Auditor reputation can be an important control mechanism in reducing asymmetric information between managers as agents and shareholders as principals. A good auditor's reputation can provide additional assurance that the financial statements have been carefully examined, thereby providing confidence to stakeholders that the information presented is more trustworthy.

Role corporate governance as a moderator of influence accrual earnings management on company value

The research results prove that the role of corporate governance is able to weaken the influence of accrual earnings management on company value. This is because accrual profit management activities are carried out by company management by selecting accounting methods because they aim to cover true economic performance. However, with the existence of good corporate governance it is expected to be able to minimize agency conflicts that occur. One of the practices in implementing GCG is through the ASEAN Corporate Governance Scorecard (ACGS), which is an instrument for assessing practices in public company governance and is based on public information, which includes, among other things, contained in annual reports. Therefore, With the existence of GCG, it will be able to minimize and reduce management's opportunistic behavior through accrual earnings management actions, so that management will be able to produce and report financial performance that is in accordance with actual conditions. The results of this study are in line with research conducted by (Sarmigi & Luthan, 2018); (Deva & Machdar, 2017) by stating that GCG practices weaken the effect of accrual earnings management on firm value.

Corporate governance includes the structures, policies and practices that guide how a company is operated and controlled. In this framework, corporate governance can act as a

moderator in the relationship between accrual earnings management and firm value. As a moderator, corporate governance can influence how strong or weak the relationship is between accrual earnings management practices and firm value.

Role corporate governance as a moderator of influence accrual earnings management on company value

Corporate Governance weakening the influence of *accrual earnings management* to company value. There are management actions that are different from the company's usual business practices, such as leeway on credit applications (receivables) and giving discount prices to increase sales (temporarily) in certain periods, excessive production activities to obtain a higher cost of goods sold. low compared to the cost of goods sold in normal production activities, as well as a decrease or reduction in discretionary expenditure which will have an impact on a decrease or reduction in discretionary expense related to expenditure costs originating from advertising, research and development costs, selling, administration and general costs in the period the (Deva & Machdar, 2017). However, with the existence of good corporate governance through disclosure and transparency contained in the ACGS, it is hoped that it will be able to minimize information asymmetry, so that it can again increase investor confidence in the presentation of financial information presented by management, especially regarding management performance which is reflected in the value of the company's share price. Therefore, the implementation of GCG practices will have an impact on reducing management's desire to take real earnings management actions. The results of this research are in line with research conducted by (Sarmigi & Luthan, 2018) as well as (Deva & Machdar, 2017) who stated in his research that the application of the principles of good corporate governance weakens the occurrence of real earnings management practices on company value.

Corporate governance includes the rules, policies, and practices that govern how a company is operated and supervised. In this context, corporate governance can play an important role as a moderator or controller in the relationship between real earnings management and firm value.

As a moderator, corporate governance can moderate or reduce the impact of real earnings management practices on company value. Some ways in which corporate governance can act as a moderator: (a) Control and Supervision: Strong governance can create an effective internal control

system. This helps in monitoring and controlling management decisions related to real earnings management, reducing the risk of manipulation that is detrimental to the company. (b) Transparency and Disclosure: Good governance promotes transparency and better disclosure of information to shareholders and the public. This can reduce managers' opportunities to carry out real earnings management practices that are unethical or detrimental.

Role corporate governance as a moderator of the influence of the auditor's reputation on firm value

The research results prove that practice *Corporate Governance* able to strengthen the influence of the auditor's reputation on firm value. This is because the information obtained from a professional auditor's report will provide more adequate certainty so as to provide a higher level of reliability for the financial reports to be issued. With the application of the principles of good corporate governance through an assessment of the practices contained in the ASEAN CGS *corecards* especially regarding transparency and disclosure presented by the company, it will be able to help and improve auditors when assessing the effectiveness of the entity's internal control and business risks when carrying out audit assignments, so that auditors who have a good reputation will be able to further minimize the occurrence of information asymmetry, because it provides certainty. more adequate so as to provide a higher level of reliability of the financial statements to be issued. The results of this research are in line with research conducted by (Deva & Machdar, 2017) who posited that practice *good corporate governance* strengthen the influence of the auditor's reputation on firm value.

Auditor reputation, in this context, is a factor that can influence shareholder confidence in the reliability of financial statements. In its role as a moderator, corporate governance can influence the influence of the auditor's reputation on company value. Corporate governance can act as a moderator: (a) Selection of the Right Auditor: Strong governance can encourage the selection of independent and high-quality auditors. This can increase shareholder confidence in the company's financial reports. (b) Transparency and Disclosure: Good governance tends to promote a high level of transparency in audit processes and financial reporting. This can provide additional confidence to shareholders about the quality of the financial information presented.

CONCLUSION

Based on data analysis, discussion of data interpretation and test results that have been carried out in this research, the researcher can conclude the following:

Accrual Earnings Management has a negative influence on Company Value. Then *Real Earnings Management* negative effect on firm value. Auditor reputation has a positive effect on firm value. Also, role *Corporate Governance* able to weaken the influence *accrual earnings management* to company value. Then *Corporate Governance* also weakens the influence of real earnings management on company value. And finally, practice *Corporate Governance* able to strengthen the influence of the auditor's reputation on firm value. The results of this research also have managerial implications, including that issuers should minimize earnings management practices in an effort to attract investors to invest in their companies and consistently participate in the Asean Scorecard assessment agreed by the ACMF (*ASEAN Capital Market Forum*). Apart from that, for the regulator, namely the OJK, to further improve its supervisory function regarding integrated reporting carried out by capital market issuers in accordance with what is mandated by Republic of Indonesia Law No. 21 of 2011 concerning the Financial Services Authority and OJK Regulations and Circular Letters. Then, the next research implications for better research quality include the addition of moderating variables that can be added using proxies from *Corporate Governance*, among others, the board of commissioners and the audit committee.

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