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Do Earnings Management and Audit Committee Have an Effect on The Firm Value?

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Abstract

The stock price is used as a consideration for investors to invest in a company. During the COVID-19 pandemic, stock prices fell thus it became a special concern for investors. The stock price can show the high and low of the firm value. A company that has a high firm value can reflect the company's good performance and it able to provide prosperity to investors. In the future, highly firm value can make the markets and investors confident on the company's prospects and performance. This study aims to determine the effect of earnings management and the audit committee on the firm value with control variables of profitability, leverage, and firm size in the companies indexed LQ45 on the Indonesia Stock Exchange 2016-2020. The data used were obtained from annual reports on the official website of the Indonesia Stock Exchange and the company's official website. The populations are the companies indexed LQ45 on Indonesia Stock Exchange. The sampling technique used purposive sampling and obtained as many as 24 companies in 5 years, the total samples are of 120 companies. The analytical method used is panel data regression analysis. The result shows that earnings management and audit committee with profitability, leverage, and firm size as control variables have a simultaneous effect on the firm value. Meanwhile, earnings management and audit committee with profitability, leverage, and firm size as control variables have no partial effect on the firm value at the LQ45 indexed companies on Indonesia Stock Exchange in 2016-2020.

Keywords: *audit committe; earning management; firm value*

JEL Classification: M40; M41

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INTRODUCTION

Firm value and stock price are often associated with the company, where this value provides to give perceptions to stockholders (investors). Firm value is defined as the investor's perception of the company's level of fruitfulness through the stock price. When the company's stock has a high price, the investor's perception of firm value is high also. Whereas, if the company's stock has a low price the investor's perception of firm value is low (Amaliyah & Herwiyanti, 2019; Tambunan et al., 2017). The stock price can fluctuate anytime, this of course can affect the level of the firm value. The fluctuated stock price is a reasonable thing that can happen on Indonesia Stock Exchange. However, if the stock price changed significantly, it raises doubts for the investors about the future economic uncertainty. As a result, the investors start to sell the stock quickly to avoid more losses (Sugiarto, 2021).

In 2020 there was a Coronavirus-Disease 2019 (COVID-19) pandemic which is spread globally. On March 2nd, 2020, for the first time COVID-19 was confirmed in Indonesia. Through the Keputusan Presiden Republik Indonesia (Decree of the President of the Republic of Indonesia) number 12 the year 2020, the pandemic was declared a national disaster on April 13th, 2020. This is affect trading activity in Indonesia Stock Exchange, which was signed by the Jakarta Composite Index (JKSE) decreased significantly in March 2020. On March 24th, 2020, JKSE had a drastic decline and reach the lowest point at Rp3.937. The JKSE decreases corrected to 37,49% as a year to date (YTD) since the closing price in 2019 at Rp6.300 (Melani, 2021). JKSE which is used as the capital market reference in general still corrected at 20,56%. This is can affect to LQ45 stock index, which is used as the capital market reference in specific that also corrected at 24,67%. Along with the decreases in JKSE stock price in 2020, the LQ45 stock price also decreased significantly. In 2020, IDX recorded that LQ45 has the lowest stock price at Rp566,84 which happened on March 24, 2020. This decrease reached 44,12% YTD since the closing price in 2019 at Rp1.014. Even though this decline surpassed the JKSE decreases (Putra, 2020). Before the COVID-19 pandemic happened, the stock price of LQ45 ever had a decline which was recorded in August 2019. Some companies of LQ45 which had a decline such as PT Matahari Department Store Tbk (LPPF) at 79,05%, PT Perusahaan Gas Negara Tbk (PGAS) at 65,31%, and PT Surya Citra Media Tbk (SCMA) at 64,30%. The stock decreases on PT Matahari Department Store Tbk (LPPF) are caused by the sentiment of the loss which is booked by the entity for the investment on the e-commerce site in 2015. As time goes by, the entity recognizes the loss of the value decrease on the consolidated income statement. In other, the decreases in PT Perusahaan Gas Negara Tbk (PGAS) are caused by the sentiment in the form of government policies for reducing the rate of gas distribution which are listed on the President Decree number 40 the year 2016. Whereas, in PT Surya Citra Media Tbk, the stock price decreases are caused by the profit decreasing and expense increasing from 2015 to 2017, but the price comes turn increase back in 2018 (Qolby, 2019).

Based on the condition of LQ45 stock price for the past few years ago, the firm value of LQ45 has been focused on the discussion in our research. This is using an agency theory put forward by Jensen & Meckling (1976) which is describing the relation between the agent (corporate management) and the principal (corporate stockholder). This theory assumed that the corporate management prioritizes their interest through their opportunistic behaviors that can be opposite to the stockholders. According to Eisenhardt (1989), if the interest of corporate management and stockholder are not in line, it can be causing agency problems (Ghozali, 2020). The agency problems such as the information gap, where the corporate management has more information about the corporate condition than the stockholder. This information gap gives an opportunity for the management to change or manipulate the information that was recorded in the corporate financial report by the earnings management practices. The earnings management can be used to increase profits (increasing income) or decrease profits (decreasing income) that were reported. This practice is one of the earnings

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management motivations of the political cost hypothesis (Sulistyanto, 2014). Nevertheless, Donaldson & Davis (1991) argued that the agency problems can be pressed by forming a structure for the corporate governance which able to control and evaluate the earnings management behaviors (Ghozali, 2020).

This study arranged with the descriptive analysis to explain data acquisition based on the maximum, minimum, average, standard deviation and variety of varians (Sekaran & Bougie, 2016). We also use deductive research's type for examination and find out the evidence to accept or reject the hypothesis. The research method is quantity method with using the panel data regression analysis as a research model. This regression aims to provide more data from the joint of time series and cross section, so it can produce the more degree of freedom (Basuki & Prawoto, 2016).

There were many factors that caused an increase or decrease in the firm value through the stock price, such as earnings management and the audit committee. The information gap in agency theory can provide opportunities for managers to take earnings management actions. This provides an opportunity for managers to change reported earnings information, in order to achieve profit targets. As a result, this action will have an impact on the company's profit level. Earnings management is an action taken by management to beautify the company's business image by providing a wrong picture for users of company information (Putri, 2019; Yimenu & Surur, 2019). Earnings management can occur when managers use judgment in financial reporting and preparing transactions to modify information to mislead stakeholders about the economic performance of a company, or to influence outcomes that depend on reported accounting numbers (Hu et al., 2017; Healy & Wahlen, 1999). However, earnings management practices including the selection of accounting methods and estimates in accordance with generally accepted accounting principles (GAAP). This means that companies which use earnings management will manage their profits to remain within the limits of the applicable accounting procedures. These earnings management practices are conducted to make the financial reports better than the real corporate situation. Managers have the opportunity to present company earnings with adjustments for company profits or even for themselves (Ghazali et al., 2015). Therefore, earnings management can affect positively the firm value. According to the studies which are conducted by Putri (2019), Riswandi & Yuniarti (2020), and Violeta & Serly (2020), earnings management has a positive effect on the firm value. With the practice of earnings management, information that is contained in the financial report will be recorded as well as possible for the firm value can be increased. It means that the increase in earnings management practice will be followed by the increase in firm value. Opposite to their result, the studies of Pernamasari & Mu'minin (2019) and Rahmawati & Putri (2020) revealed that earnings management has a negative effect on the firm value. It means the earnings management practices can decrease the firm value for the inappropriate information on the financial report presentation. Meanwhile, Dewi et al. (2016) and Yamasitha (2020) found that earnings management has no effect on the firm value.

The second factor that can affect the firm value is an audit committee. According to Financial Services Authority Regulations (POJK) number 55 the year 2015, an audit committee was formed by and be responsible to the board of commissioners. The audit committee has a responsibility to ensure that the corporate control has been implemented as the applicable acts and regulations. Besides that, the audit committee has the role of the mediator in controlling activities conducted by corporate management with stockholders and commissioners, and internal and external auditors (Amrizal & Rohmah, 2017; Soedaryono & Riduifana, 2013; Widyaningsih, 2018). The audit committee is the committee that oversees the financial reporting process. It can also reduce agency problems, such as information gaps where the principal cannot recognize or predict agent behavior, there is a conflict of interest between the principal's goal to maximize wealth and the agent's goal for business continuity (Miko & Kamardin, 2015). Audit committees are a mechanism that has the potential to reduce agency problems in firms. The existence of an audit committee hopes can decrease the agency problems, for the audit committee is in charge of protecting the stockholders from the manipulating behaviors conducted by management (Inaam & Khamoussi, 2016). In the implementation and control of good corporate governance, audit committee activity can be shown through the number of their meetings. The higher number of the meetings, the more active the audit committee's role in controlling and increasing the firm value (Onasis & Robin, 2016). Therefore, the number of audit committee meetings positively can affect the firm value. The result of the studies conducted by Amaliyah & Herwiyanti (2019) and Nurokhmah et al. (2021) shows that an audit committee has a positive significant effect on the firm value. Those results are in line with the studies conducted by Afia & Arifah (2020) which show that the existence and the role of the audit committee can increase the firm value. Opposite to their result, the studies conducted by Bakhtiar et al. (2020) say that the audit committee has a negative effect on the firm value. Meanwhile, according to the studies from Christiani & Herawaty (2019) and Yosephus et al. (2020), the audit committee has no effect on the firm value.

Based on the differences in results that were disclosed in the previous studies, this study will modificate the independence variables' affect to the firm value on the different periods, the different objects, and the different measurements. The earnings management variable use modified jones model with two patterns are increasing income and decreasing income. The audit committee variable use percentages from the number of meetings held in a year compared to the frequency of meetings based on the POJK. The control variables such as profitability, leverage, and the firm size will be implemented to find the research results that are not affected by external variables which are not examined. This study is expected to give knowledge and information to academicians and it is also used to be a reference for the next researcher who wants to do the study with the same topic and object. Besides that, this study is also expected to contribute some insights to companies about the firm value in the period before, and during the crisis to be used as the source of information in managerial decision-making in the future. For the users of the financial reports, this study hope can give additional information to be used as consideration for investing in the future.

RESEARCH METHOD

This study's population was the companies indexed LQ45 on the Indonesia Stock Exchange. This objects are chosen for they have the highest stock liquidity among all over the public companies in Indonesia. In 2020, the LQ45 companies had the decreasing of stock value significantly. We pulling back the period from 2016, to see changes the firm's stock that will be impact to its value until 2020. The sampling method used purposive sampling, by removing insurance and banking companies so that the number of samples obtained was 24

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companies. The total number of observations is 120 observations, but there are 24 data indicated outliers, including 2 companies with 5 observations per company. The final result of the number of observations after eliminating outliers are 96 observations.

The measurement of firm value used the price to book value (PBV) formula as follows:

$$\mathbf{PBV} = \frac{\textbf{Market Value per Share}}{\textbf{Book Value per Share}} \quad (1)$$

(Sihombing et al., 2020)

The measurement of independent variables in this study were as follows:

Table 1. Operational definitions of independent variables

No.	Variable	Measurement	Source
1	Earnings Management	• **TAC** = Net income - Cash flow from operations • **Current Accruals** = Δ(current assets-cash) - Δ(current liabilities-current maturity of long-term debt) • $\mathbf{CurAcc_{i,t}/TA_{i,t}} = \alpha_1[1/TA_{t-1}] + \alpha_2[\Delta Sales_{i,t}/TA_{i,t-1}] + \varepsilon$ • $\mathbf{NDCA_{it}} = \alpha_1[1/TA_{t-1}] + \alpha_2[(\Delta Sales_{i,t} - \Delta TR_{i,t})/TA_{i,t-1}]$ • $\mathbf{DCA_{it}} = (CurAcc_{i,t}/TA_{i,t-1}) - NDCA_{i,t}$ • $\mathbf{TAC_{i,t}/TA_{i,t-1}} = \beta_1[1/TA_{t-1}] + \beta_2[\Delta Sales_{i,t}/TA_{i,t-1}] + \beta_3[PPE_{i,t}/TA_{i,t-1}] + \varepsilon$ • $\mathbf{NDTA_{i,t}} = \beta_1[1/TA_{t-1}] + \beta_2[(\Delta Sales_{i,t} - \Delta TR_{i,t})/TA_{i,t-1}] + \beta_3[PPE_{i,t}/TA_{i,t-1}]$ • $\mathbf{DTA_{i,t}} = (TAC_{i,t}/TA_{i,t-1}) - NDTA_{i,t}$	(Rahmawati & Putri, 2020)
2	Audit Committee	**AC** = ∑Meetings in a year	(Christiani & Herawaty, 2019)

Source: Data has been processed (2022)
Note: The Audit Committee variable uses a percentage meetings as its proportion based on POJK (4 times minimum in a year)

The measurement of control variables in this study were as follows:

Table 2. Operational definitions of cotrol variables

No.	Variable	Measurement	Source
1	Profitability	ROE = (Earning After Tax/Equity)	(Sukamulja, 2019)
2	Leverage	DER = (Total Liability/Total Equity)	(Wijaya et al., 2020)
3	Firm Size	Size = Natural Logarithm of Total Assets	(Arrafi, 2019)

Source: Data has been processed (2022)

This study used panel data regression analysis. The data testing was carried out including a multicollinearity test. heteroscedasticity test, F test, and t test to address the hypotheses. The regression analysis of the data used in this study was as follows:

$$PBV = \alpha + \beta_1 EM + \beta_1 AC + \beta_1 ROE + \beta_1 DER + \beta_1 SIZE + \varepsilon \tag{2}$$

Where:

PBV	: Firm Value
α	: Constanta
EM	: Earnings Management
AC	: Audit Committee
ROE	: Return on Equity
DER	: Debt to Equity Ratio
SIZE	: Firm Size
β1,β2,β3,β4,β5	: Regression coefficient
e	: Error standard

RESULTS AND DISCUSSION

This study discusses the effect of earnings management and audit committees on the firm value. The data used is sourced from secondary data, namely the annual reports of companies indexed LQ45 on the Indonesia Stock Exchange in 2016-2020. This study uses a purposive sampling technique, which is a research sampling technique based on certain criteria. The research sample used is all companies that are consistently indexed LQ45 on the Indonesia Stock Exchange during 2016-2020 by issuing insurance and banking companies. The total observations collected were 120 data, of which there were 24 data that were detected as outliers. Outlier data can cause the assumptions underlying the regression model to be unfulfilled. The data also causes the estimation regression model to be inefficient. Therefore, to obtain an efficient estimate regression result is to eliminate outlier data (Algifari, 2021). The result of the total data after eliminating outliers were 96 total observations. The data is processed by using Eviews 12.

Table 3. Multicollinearity Test Results

	EM	AC	ROE	DER	SIZE
EM	1.000000	-0.163159	-0.025953	0.167005	-0.283222
AC	-0.163159	1.000000	-0.096662	0.326169	0.204412
ROE	-0.025953	-0.096662	1.000000	-0.152689	0.159099
DER	0.167005	0.326169	-0.152689	1.000000	0.112153
SIZE	-0.283222	0.204412	0.159099	0.112153	1.000000

Source: Data has been processed (2022)

Based on the table 3 above, the correlation coefficient between the independent variables is smaller than 0.8. Thus, the conclusion that can be drawn is that the data in this study does not have multicollinearity problems.

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Table 4. Heteroscedasticity Test Results

Heteroskedasticity Test: Breusch-Pagan-Godfrey
Null hypothesis: Homoskedasticity

F-statistic	1.939374	Prob. F(5,90)	0.0955
Obs*R-squared	9.337299	Prob. Chi-Square(5)	0.0963
Scaled explained SS	6.156278	Prob. Chi-Square(5)	0.2913

Source: Data has been processed (2022)

Based on the table 4 above, the probability value of Obs*R-Squared is 0.0963 which is greater than the significance of 0.05. Thus, the conclusion that can be drawn is that the data in this study is called homoscedasticity or free from heteroscedasticity problems.

Table 5. Fixed Effect Model Results

Dependent Variable: PBV
Method: Panel Least Squares
Sample: 2016 2020
Periods included: 5
Cross-sections: 22
Total panel (unbalanced) observations: 96

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	68.58861	10.78266	6.361007	0.0000
EM	-1.335953	1.727114	-0.773517	0.4419
AC	-0.049607	0.047792	-1.037976	0.3029
ROE	2.987201	1.390486	2.148314	0.0352
DER	0.586724	0.277384	2.115203	0.0380
SIZE	-2.142736	0.345218	-6.206899	0.0000

Effects Specification

Cross-section fixed (dummy variables)

Root MSE	0.378525	R-squared	0.827724
Mean dependent var	1.562724	Adjusted R-squared	0.762808
S.D. dependent var	0.916760	S.E. of regression	0.446484
Akaike info criterion	1.457430	Sum squared resid	13.75498
Schwarz criterion	2.178653	Log likelihood	-42.95663
Hannan-Quinn criter.	1.748960	F-statistic	12.75078
Durbin-Watson stat	1.920055	Prob(F-statistic)	0.000000

Source: Data has been processed (2022)

Based on the table 5 above, the panel data regression equation as follows:

$$PBV = 68.58861 - 1.335953\,EM - 0.049607AC + 2.987201ROE + 0.586724DER \quad 2.142736SIZE + \varepsilon \tag{3}$$

The constant value of 68.58861 indicates that if the independent variables in the regression, namely earnings management, audit committee, profitability, leverage, and firm size have constant values (unchanged) and zero, then the value of the dependent variable (firm value), is 68.5881 unit. The earnings management coefficient value is -1.335953 which means that for every 1 unit increase in the earnings management variable assuming other variables are zero, the firm value will decrease by -1.335953 units. The audit committee coefficient value of -0.049607 indicates that for every 1 unit increase in the audit committee variable assuming other variables are zero, the firm value will decrease by -0.049607 units. The value of the profitability coefficient (ROE) of 2.987201 indicates that for every 1 unit increase in the profitability variable with the assumption that other variables are zero, the firm value will increase by 2.987201 units. This shows that if the coefficient of profitability increases, then the value of the company will increase. The value of the leverage coefficient (DER) of 0.586724 indicates that for every 1 unit increase in the leverage variable, assuming other variables are zero, the firm value will increase by 0.586724 units. This shows that if the leverage coefficient increases, the firm value will increase. The firm size coefficient value is -2.142736, which means that for every 1 unit increase in the firm size variable, assuming other variables are zero, the firm value will decrease by -2.142736 units. This shows that if the value of the firm size coefficient increases, the firm value will decrease.

Simultaneous test (F) is a test to explain whether the firm value variable is jointly influenced by the earnings management variable and the audit committee. Based on table 4.3, the results of the F test are shown through the probability value (F-statistics) of 0.000000 which is smaller than the 0.05 significance level. Then, the adjusted R-squared show has a value 0.762808. Thus, all independent variables of earnings management and audit committee (percentage of meetings) with control variables of profitability, leverage, and firm size simultaneously can affect the firm value by 76,28%.

The partial test (T) aims to measure how much influence each independent variable on earnings management and the audit committee has individually to explain the dependent variable of firm value, with a significance level of 0.05. The result of the earnings management coefficient is -1.335953 and the probability T-statistic is 0.4419 > 0.05. Thus, it can be concluded that partially earnings management with control variables of profitability, leverage, and firm size has no effect on the firm value of LQ45 indexed companies on the Indonesia Stock Exchange in 2016-2020. The result of the audit committee coefficient is -0.049607 and the probability T-statistic is 0.3029 > 0.05. Thus, it can be concluded that partially the audit committee with control variables of profitability, leverage, and firm size has no effect on the firm value of LQ45 indexed companies on the Indonesia Stock Exchange in 2016-2020. The result of the profitability (ROE) coefficient is 2.987201 and the probability T-statistic is 0.0352 < 0.05. Thus, it can be concluded that partially the profitability as a control variable has a significantly positive effect on the firm value of LQ45 indexed companies on the Insonesia Stock Echange in 2016-2020. The result of the leverage (DER) coefficient is 0.586724 and the probability T-statistic is 0.0380 < 0.05. Thus, it can be concluded that partially the leverage as a control variable has a significantly positive effect on the firm value of LQ45 indexed companies on the Insonesia Stock Echange in 2016-2020. The result of the firm size (SIZE) coefficient is -2.142736 and the probability T-statistic is 0.0000 < 0.05. Thus, it can be concluded that partially the firm size as a control

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variable has a significantly negative effect on the firm value of LQ45 indexed companies on the Insonesia Stock Echange in 2016-2020.

Table 6. Earnings Management and Firm Value

Description	PBV > 1.56272		PBV < 1.56272		Total Observations
	Total	%	Total	%	
EM (*Increasing*) > 0.02610	4	11%	11	30%	37
EM (*Increasing*) < 0.02610	9	24%	13	35%	
EM (*Decreasing*) > -0.03376	15	25%	21	36%	59
EM (*Decreasing*) < -0.03376	11	19%	12	20%	
Total Observations	39	41%	57	59%	96

Source: Data has been processed (2022)

Based on table 6, there are the majority of earnings management, both with increasing and decreasing income patterns, which also get values above and below the average, had a below-average firm value with 57 observations (59%) which is more than an above-average firm value with 39 observations (41%). Whether using increasing income or decreasing income maximally or minimally, the firm value remains below the average. Thus, earnings management that has a value above or below the average still makes the firm value decrease. Most earnings management practices has no effect on the firm value. This happens because there is no motivation from managers to pursue personal interests, possibly due to good corporate governance implementation, so that earnings management actions do not affect the fluctuations of the firm value. In agency theory, this does not indicate any agency problems related to interest motives and information gaps. This confirms the partial hypothesis testing that has been done previously, that earnings management has no effect on the firm value. The results of this study are not in accordance with the research hypotheses as earnings management has a positive effect on the firm value. This study supports the research conducted by Dewi et al. (2016) and Yamasitha (2020) who obtained the results that earnings management had no effect on the firm value.

Table 7. Audit Committee and Firm Value

Description	PBV > 1.56272		PBV < 1.56272		Total Observations
	Total	%	Total	%	
AC > 3.77604	19	53%	17	47%	36
AC < 3.77604	20	33%	40	67%	60
Total Observations	39	41%	57	59%	96

Source: Data has been processed (2022)

Based on table 7, there are 36 total audit committee observations where the values are above the average, with the 19 observations (53%) which have above-average firm values, greater than 17 observations (47%) which have below-average firm values. Although there are more audit committees above the average and also have above-average firm values, it also has quite a lot of below-average firm values, which only have a difference of 2 observations smaller than the above-average firm value. In addition, most of the percentage of audit committees that obtained values above the average and below had a below-average firm value with a total of 57 observations (59%) which is more than an above-average firm value with a total of 39 observations (41%). Thus, the number of audit committee meetings that have values above and below the average still makes the value of the company decrease. Most or few meetings held by the audit committee have no effect on the firm value. With the percentage of the majority of audit committee meetings above the minimum provisions of the POJK, investors will perceive this as commonplace. Basically, it was an obligation for companies to comply with the POJK. Investors will believe in the presentation of the company's financial statements, so they assume there is no agency problem in terms of information gaps between company management and investors. Therefore the existence of the audit committee meetings above the POJK minimum standard will not affect the increase or decrease in the value of the firm. This confirms the partial hypothesis testing that has been done previously, that the audit committee has no effect on the firm value. The results are not in accordance with the research hypotheses as the audit committee has a positive effect on the firm value. This study supports the research conducted by Christiani & Herawaty (2019) and Yosephus et al. (2020) which obtained the result that the audit committee had no effect on the firm value.

CONCLUSION

The purpose of this study is to investigate whether earnings management and audit committee have an effect on the firm value in LQ45 indexed companies on the Indonesia Stock Exchange in 2016-2020. This study uses profitability, leverage, and firm size as research control variables. After eliminating outliers, the number of observations used for testing the regression model is 96 observations. Simultaneously, earnings management and the audit committee with control variables of profitability, leverage, and firm size can affect the firm value of companies indexed LQ45 on the Indonesia Stock Exchange in 2016-2020. Partially, earnings management with control variables of profitability, leverage, and firm size has no effect on the firm value in LQ45 indexed companies on the Indonesia Stock Exchange in 2016-2020. This study supports the research conducted by Dewi et al. (2016) and Yamasitha (2020) who obtained the results that earnings management had no effect on the firm value. While, the audit committee with control variables of profitability, leverage, and firm size has no effect on the firm value in LQ45 indexed companies on the Indonesia Stock Exchange in 2016-2020. This research supports the research conducted by Christiani & Hessrawaty (2019) and Yosephus et al. (2020) which obtained the result that the audit committee had no effect on the firm value.

Based on the results, the control variables such as profitability and leverage have a positive effect on the firm value. The firms can maximize their profitability through sales, cash, capital, for the value of the firm can be increased. Regarding leverage, the firms should watched for the size of the ratios. Although the firm value will be increased by the high leverage, also the business risk will be higher. Meanwhile on the last control variable, the firm size which measured by total assets has a negative effect on the firm value. The company should pay attention to the assets which have high maintenance and depreciation costs, so the firm value does not decrease significantly with that large assets. Through this

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results, investor can consider which companies that have high profitability, controlled leverage, and the large firm sizes by paying attention to depreciation and maintenance costs. Thus, investors can be decide to invest in the firms that are able to provide good returns.

Further research can modify the independent variable to become good corporate governance variable. In these results there is a possibility of good corporate governance (GCG) implementation, therefore it can be re-examined whether there is true implementation of GCG in the company. In addition, further research can also add the company's growth variables. The earnings management variable should be able to use earnings quality by giving an absolute value to the results of earnings management calculations. The variables of profitability, leverage, and firm size can be maintained as research control variables. In addition, further research can extend the research period and/or multiply the object of research which aims to avoid reducing more outlier data. The object of the research can be expanded by using all sectors of companies listed on the Indonesia Stock Exchange without exception so that they can reflect all companies in Indonesia.

AUTHORSHIP CONTRIBUTION STATEMENT

All authors contributed to this article by compiling content, analyzing data, and making conclusions.

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