

The Effect of Firm Size, Bonus Compensation and Leverage On Earnings Management

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Abstract. Earnings management is seen as a form of manipulation of firm performance and is a management action in the process of preparing financial statements to influence the level of earnings displayed. This study aims to reexamine the effect of firm size variables, bonus compensation and leverage on earnings management.

The sample in this study were 65 manufacturing companies listed on the Indonesia Stock Exchange for the 2016-2018 period. Determination of the sample using the purposive sampling method. The analytical tool used is Multiple Linear Regression Analysis.

The results showed that firm size variables have a positive effect on earnings management, bonus compensation have no effect on earnings management, and leverage have no effect on earnings management.

Keywords: firm size, bonus compensation, leverage and earnings management

1. Introduction

1.1 Background

Every financial statement published by a firm is an important source of information for investors. One of the firm performance parameters that become the main concern of investors and creditors in financial reports is information about accounting profit and cash flow. Higher profits from the previous period can indicate good performance and affect the increase in the firm's stock price. However, the profit generated in the income statement is often influenced by the accounting method used, so that high profits do not necessarily reflect large cash. The management as the preparation of financial statements recognizes the importance of this earnings information.

Earnings information is often the target of engineering through *opportunistic* management measures to maximize satisfaction. The action concerned with their own interests (*opportunistic*) is conducted by way of choosing a particular accounting policy known as earnings management. Where earnings management is interesting to study because it can provide an overview of the behavior of managers in reporting their business activities in a certain period, namely the possibility of certain motivations that encourage them to manage reported financial data.

Earnings *management* is seen as a form of manipulation of firm performance and is a management action in the process of preparing financial reports to influence the level of earnings displayed [1]. Agency *theory* is a sacrifice that arises from any agency relationship,

including the relationship in the work contract between shareholders and firm managers [2]. Agency problems arise because of managerial compensation and information asymmetry between managers and *principals* to carry out earnings management which aims to act opportunistically.

The size of the firm affects management's actions in its own interests. The size of a firm can be seen from the total assets (*assets*) and total sales (*net sales*) owned by the firm. The size of the firm affects the earnings management actions taken by firm managers. This was done by the firm to avoid drastic changes or fluctuations in earnings. Research on the effect of firm size on earnings management shows inconsistent results. The results of research conducted by [3] and [4] show that firm size has a positive effect on earnings management. The results of research conducted by [5] and [6] show that firm size has no effect on earnings management. The firm size is assessed based on total assets owned has a negative effect on earnings management [7-9].

In addition to the size of the firm, bonus compensation is an encouragement for managers to report profits to obtain bonuses that are calculated on the basis of profit [2]. If the profit is lower than the target set, it will encourage management to manipulate by transferring future profits to present profits with the hope of getting a bonus. According to the results of research [10], found that bonus compensation has a negative effect on earnings management. The bonus compensation has a positive effect on earnings management [4, 11, 12]. However, research by [13, 14] found that bonus compensation has no effect on earnings management.

The *leverage* ratio in the firm can also trigger management to take earnings management actions. The higher the debt, the higher the creditors' demands on the firm and management to ensure that it can return the loan principal and interest. Companies with high *leverage* ratios have an effect on earning management practices because the firm cannot meet its debt payment obligations on time (*default*). According to research by [15, 16], it is found that *leverage* has a negative effect on earnings management. According to [17-19], proves that *leverage* has a positive effect on earnings management. However, according to [12], it proves that *leverage* has no effect on earnings management.

There are differences in the results of previous research studies, so this study was conducted to see whether there was an influence between firm size, bonus compensation and *leverage* on earnings management. Based on this background, the researcher is interested in conducting further research on "The Effect of Firm Size, Bonus Compensation, and *Leverage* on Earnings Management in Manufacturing Companies Listed on the Indonesia Stock Exchange".

1.2 Formulation of the problem

Based on the background described above, the formulations of the problems raised are:

- 1) Does the size of the firm affect earnings management?
- 2) Does bonus compensation affect earnings management?
- 3) Does *leverage* affect earnings management?

1.3 Research purposes

Referring to the above problems, the purpose of this research is to find out:

- 1) To determine the effect of firm size on earnings management
- 2) To determine the effect of bonus compensation on earnings management

3) To determine the effect of *leverage* on earnings management

2. Literature review

2.1 Agency theory

Defines agency theory as a contract between someone or more asking other people to perform certain services for their interests [2]. In order for this contractual relationship to run smoothly, the owner will delegate decision-making authority to the manager. Problems that arise due to differences in interests between principal and agent are called agency problems. The owner (principal) is motivated to enter into a contract for the welfare of himself with increasing profitability. Meanwhile, the manager (agent) is motivated to maximize his economic and psychological fulfillment, including in terms of investment, loans and compensation contracts.

2.2 Earnings management

Earnings management is an interference in the process of preparing external financial reporting, with the aim of obtaining personal gain [2]. Three positive accounting theory hypotheses can be used as an understanding of earnings management actions, namely as follows: The Bonus Plan Hypothesis, The Debt To Equity Hypothesis, The Political Cost Hypothesis. Earning management patterns can be done as follows: Income Increasing, Income Decreasing, Income Smoothing [2].

2.3 Firm size

Firm size is the size or size of assets owned by the firm. The size of the firm is one of the factors for investors in investing. Managers who lead larger companies have the opportunity to carry out profit manipulation actions compared to small companies, this is due to the tendency that large companies require larger funds compared to smaller companies. The need for greater funding has the tendency that the firm wants growth in profits.

2.4 Bonus compensation

Bonus compensation is remuneration provided by firm organizations to employees who can be financial or non-financial in a fixed period [4]. The bonus compensation promised by the owner will motivate the manager to work better and harder to achieve a profit above the average of the previous period. Conceptually, with this bonus compensation, all parties will benefit and increase their welfare. So the better the manager works, the higher the firm's performance and the bonuses that must be given to managers will be higher.

2.5 Leverage

The leverage ratio is a ratio used to measure how much a firm is financed with debt [20]. Companies must balance several debts that are worth taking and from which sources can be used to pay debts. The use of debt that is too high will endanger the firm because the firm will fall into the extreme leverage category. Several types of leverage ratios include:

1) Total Debt to Equity Ratio

That is the ratio used to measure how far the own capital is used to guarantee debt. This ratio measures the long-term liquidity of a firm. This ratio is sought by comparing all debt, including current debt, and total equity. Or it can be written with the formula:

$$\frac{\text{Total Debt}}{\text{Total Own Capital}}$$

2) Debt to Asset Ratio

Debt Ratio is a debt ratio that is used to measure the ratio between total debt and total assets. In other words, how much the firm's assets are financed by debt or how much debt the firm has on asset management. Or it can be written with the formula:

$$\frac{\text{Total Debt}}{\text{Total Assets}} \tag{2}$$

3) Time Interest Earned (TIE)

This ratio measures the firm's ability to pay debt with profit before interest and taxes. This ratio calculates how much profit before interest and tax is available to cover fixed interest expenses. A high ratio indicates a safe situation, because there are larger funds available to cover interest payments. To measure this ratio, a comparison between earnings before interest and taxes is used compared to interest costs incurred. Or it can be written with the formula:

$$\frac{\text{(EBIT)}}{\text{Interest Expense}} \tag{3}$$

4) Fixed Charge Coverage (FCC)

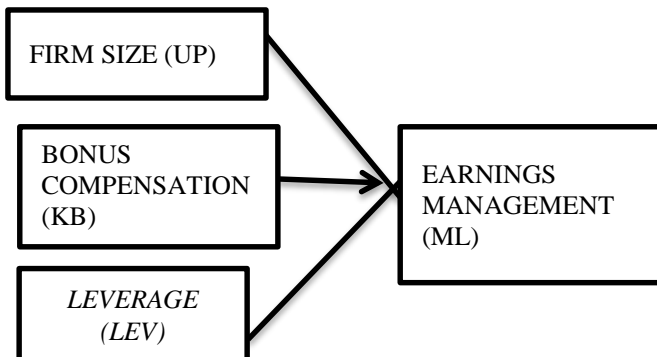
If TIE only uses interest expense as the divider, the fixed charge coverage ratio measures the firm's ability to pay a fixed total expense which usually includes interest and rental costs. Fixed costs represent interest costs plus annual or long-term rental obligations. As with the TIE ratio, a high number in this ratio indicates a safer situation (lower risk) although with a lower probability. Or it can be written with the formula:

$$\frac{\text{(EBIT)+Rent}}{\text{Interest Expense+Rental Payment}} \tag{4}$$

2.6 Frame of mind and hypotheses

Figure 1

The Influence of Firm Size, Bonus Compensation and Leverage on Earnings Management in Manufacturing Companies Listed on the Indonesia Stock Exchange



2.6.1 The effect of firm size on earnings management

The size of the firm can determine the extent of the firm's earnings management practices. The bigger a firm, the greater the opportunity for managers to carry out earnings management where large companies will usually get more attention from various governments and investors [3]. This was done by the firm to avoid drastic changes or fluctuations in earnings. This is because when the increase in profits is too high it will cause an increase in taxes that must be borne by the firm, while when there is a decrease in profits that is too drastic, it will result in a bad image from various parties. Therefore, large companies are thought to have a tendency to practice earnings management than small companies.

The results of research conducted by [3, 4, 21], state that firm size has a positive effect on earnings management [2, 32, 18]. From previous theory and research, a hypothesis can be developed, as follows:

H₁: Firm size has a positive effect on earnings management

2.6.2 The effect of bonus compensation on earnings management

This hypothesis states that firm managers with bonus plans prefer accounting methods that increase current period earnings. If the firm has compensation, then managers will tend to take actions that regulate net income in order to maximize the bonuses they receive, the better the managers work, the higher the firm's performance so that the bonuses they receive will be higher [2].

The bonus compensation has a positive effect on earnings management [4, 11, 12]. The results of these studies indicate that if the firm provides bonus compensation to firm managers it will improve earnings management practices.

From previous theory and research, a hypothesis can be developed, as follows:

H₂: Bonus compensation has a positive effect on earnings management

2.6.3 The effect of leverage on earnings management

Firm leverage can also trigger management to take earnings management actions. High leverage will result in a high financing value in order to maintain long-term performance. With this performance, it is expected that creditors will also have confidence in the firm's management. Thus, this can foster opportunistic behavior by management towards financial reports by implementing earnings management. The results of research conducted by [6, 17, 18, 19, 22, 23] state that Leverage has a positive effect on earnings management. From previous theory and research, a hypothesis can be developed, as follows:

H₃: Leverage has a positive effect on earnings management

3 Research method

3.1 Operational definition of variables

3.1.1 Earnings management

Earnings Management is a condition in which management intervenes in the process of preparing financial statement for external parties to equate, increase and decrease earnings statement [6] which is calculated using Discretionary Accrual (DA).

3.1.2 Firm size

Firm Size is a value that shows the size of the firm which is calculated using the Natural Logarithm of Total Assets [7]:

3.1.3 Bonus compensation

Bonus Compensation is a remuneration which given by the firm organizations to the employees as a financially and non-financially in a fixed period [4] which is measured using variable dummy, when the companies that give a bonus to the management will be given 1 value, while the companies that do not give the bonus to the management will be given 0 value.

3.1.4 Leverage

Leverage is the ratio used to measure the extent to which the firm's assets are financed by debt. The leverage ratio is proxied by Total Debt to Total Assets [20]. The formula is:

$$\frac{\text{Total Debt}}{\text{Total Asset}} \quad (5)$$

3.2 Population and sample

The population in this study are public manufacturing companies listed on the Indonesia Stock Exchange in 2016-2018. The sample selection in this study was carried out using purposive sampling. Based on the sampling method that used, from a population of 168 companies, a sample of 65 companies that met the criteria was obtained

3.3 Data collection techniques

The data was collected using literature study and documentation study. Literature study is done by collecting and studying scientific journals, articles and previous research, while documentation studies are done by collecting documentary data sources such as the firm's annual report that were the sample of this research [24].

3.4 Data analysis technique

3.4.1 Descriptive statistics

Descriptive statistics are statistics that are use to analyze data by describing or figuring the data that has been collected as it is without intending to make general conclusions or generalizations [24]. The measurements used in this study were the mean, standard deviation, maximum and minimum.

3.4.2 Multiple linear regression analysis

Multiple linear regression analysis is use to determine the dependent variable can be influenced by more than one independent variable. The form of the equation model for multiple linear regression analysis used:

$$DA = \alpha + \beta_1 \text{ SIZE} + \beta_2 \text{ KB} + \beta_3 \text{ DAR} + e \quad (6)$$

Annotation:

DA = Earnings Management

α = Constant

$\beta_1 - \beta_3$ = Regression coefficient for each independent variable

SIZE = Firm Size

KB = Bonus Compensation (dummy)

DAR = Leverage

e = Disturbing Error Level (error)

3.4.3 Classic assumption test

1) Normality test

According to [25], the normality test aims to test whether in the regression model, confounding or residual variables have a normal distribution. The data is stated to be normally distributed if the Asymp.Sig. (2-tailed) is bigger than $\alpha = 0.05$.

2) Multicollinearity Test

According to [25], the multicollinearity test aims to test whether the regression model finds a correlation between independent variables. The cutoff value commonly used to indicate that the independent variable in the regression model is has been free of multicollinearity if the tolerance value is > 0.10 or $VIF < 10$.

3) Autocorrelation Test

According to [25], the autocorrelation test aims to test whether in the linear regression model there is a correlation between confounding error in period t with confounding error in period $t-1$ (previously). With the following criteria: If $d_u < d_w < (4 - d_u)$, there is no autocorrelation; If $0 < d_w < d_1$, then there is positive autocorrelation; If $d_w > (4 - d_1)$, then negative autocorrelation occur ; If $d_1 < d_w < d_u$ or $4 - d_u < d_w < 4 - d_1$, then no conclusion can be drawn about whether there is autocorrelation or not.

4) Heteroskedastistics test

According to [25], the Heteroscedastical Test aims to test whether in the regression model there is an inequality of variance from one of the residuals observation to another. To detect there is heteroscedasticity or not, the Glejser test is used. If the earningsability of the significance is above the 5% confidence level, it can be concluded that there is no heteroscedasticity

3.4.4 Model feasibility test

1. Coefficient of Determination (R^2)

The value of the coefficient of determination (R^2) reflects most of the model's ability to explain the dependent variable. Every additional one independent variable, then R^2 must be increase. The higher of the Adjusted- R^2 value, then the higher the independent variable can explain the dependent variable variety [25].

2. F test

The F test is used to find out whether all the independent variables included in the model have a joint influence on the dependent variable [25]. If the significance value ≤ 0.05 , it can be concluded that the regression model used is correct. However, if the significance value is > 0.05 , it is concluded that the regression model used is considered incorrect.

3. T test

According to [25], the T test basically shows how far the influence of one independent variable individually in explaining the dependent variable variety. This test was carried out with a significance value of 0.05. If $\text{sig } t > \alpha (0.05)$, then the independent variable has no effect on the dependent variable. Conversely, if $\text{sig } t \leq \alpha (0.05)$, the independent variable affects to the dependent variable.

4 RESULTS AND DISCUSSION

4.1 Descriptive statistical analysis

Table 1. Descriptive Statistics Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
Size	195	13.55	30.53	24.3184	5.14763
KB	195	.00	1.00	.9436	.23131
DAR	195	.10	2.06	.4296	.26120
DA	195	-1.69E+12	3.67E+12	2.0084E+10	4.23601E+11
Valid N (listwise)	195				

Source: Data processed (2019)

Based on table 1 it is explained that firm size (SIZE), which is measured using the natural log (Ln) of total assets, has a minimum value of 13.55 and a maximum value of 30.53 with an average value of 24.3184 and a standard deviation value of 5.14763.

Bonus compensation (KB) which is measured using the variable dummy, the companies that give a bonus compensation to the management will be given 1 value, while those that do not give a bonus compensation to the management will be given 0 value having a minimum value of 0.00 and a maximum value of 1.00 with the average value is 0.9436 and the standard deviation value is 0.23131.

Leverage (DAR) which is measured using the Debt to Asset Ratio has a minimum value of 0.10 and a maximum value of 2.06 with an average value of 0.4296 and a standard deviation value of 0.26120.

Earnings Management (DA) as measured using the Modified Jones Model has a minimum value of $-1.69E + 12$ and a maximum value of $3.67E + 12$ with an average value of $2.0084E + 10$ and a standard deviation value of $4.23601E + 11$.

4.2 Multiple linear regression analysis

Table 2. Results of Multiple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-3.970	.670		-5.928	.000
	Size	1.023	.019	.969	55.016	.000
	KB	-.196	.415	-.008	-.473	.637
	DAR	.151	.364	.007	.415	.679

a. Dependent Variable: DA

Source: Data processed (2019)

Based on Table 2, the multiple linear regression equation is obtained as follows:

$$DA = -3,970 + 1,023 \text{ SIZE} - 0.196 \text{ KB} + 0.151 \text{ DAR} \quad (7)$$

The regression equation can be explained as follows:

- 1) The constant value obtained is -3.970, it means that if the three independent variables namely firm size, bonus compensation, and leverage are assumed to be constant (worth 0), then the dependent variable, namely earnings management is worth -3.970.
- 2) The coefficient value of firm size (SIZE) is 1.023 with a significant level of $0.000 < 0.05$, which means that every one-unit increase in firm size will increase earnings management by 1.023, assuming bonus compensation and leverage are constant.
- 3) The value of the bonus compensation coefficient (KB) is -0.196 with a significant level of $0.637 > 0.05$. This means that bonus compensation has no effect on earnings management.
- 4) The leverage coefficient (DAR) is 0.151 with a significant level of $0.679 > 0.05$. This means that leverage has no effect on earnings management.

4.3 Classic assumption test

4.3.1 Normality test

Table 3. Normality Test Results

One-Sample Kolmogorov-Smirnov Test		Unstandardiz ed Residual
N		195
Normal Parameters^{a, b}	Mean	.0000000
	Std. Deviation	1.31065026
Most Extreme Differences	Absolute	.063
	Positive	.062
	Negative	-.063
Test Statistic		.063
Asymp. Sig. (2-tailed)		.057 ^c

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Source: Data processed (2019)

Based on Table 3, the Kolmogorov-Smirnov value is 0.063 and the Asymp Sig. value (2tailed) of 0.057, which is bigger than 0.05, it can be concluded that the data residuals are distributed normally.

4.3.2 Multicollinearity Test

Table 4. Multicollinearity Test Results

Coefficients^a								
Model		Unstandardized Coefficients		Standardized	t	Sig.	Collinearity Statistics	
		B	Std. Error	Coefficients			Tolerance	VIF
1	(Constant)	-3.970	.670		-5.928	.000		
	Size	1.023	.019	.969	55.016	.000	.981	1.019
	KB	-.196	.415	-.008	-.473	.637	.976	1.024
	DAR	.151	.364	.007	.415	.679	.995	1.005

a. Dependent Variable: DA

Source: Data processed (2019)

Based on Table 4, it can be explained that the tolerance value for each independent variable is bigger than 0.10 and the VIF value is all less than 10. This means that in the regression model there is no multicollinearity.

4.3.3 Autocorrelation Test

Table 5. Autocorrelation Test Results

Model Summary^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.970 ^a	.942	.941	1.32090	2.089

a. Predictors: (Constant), DAR, Size, KB

b. Dependent Variable: DA

Source: Data processed (2019)

Based on Table 5, it shows that the Durbin-Watson value is 2.089 with a d_u value of 1.786. The autocorrelation test results with the Durbin-Watson method were between $d_u = 1,786$ and $4 - d_u = 2,214$ which were in the range of $d_u < d_w < (4 - d_u)$ ($1,786 < 2,089 < 2,214$). Therefore, it can be concluded that there is no autocorrelation so that this model is suitable for further analysis.

4.3.4 Heteroskedasticity test

Table 6. Heteroscedasticity Test Results

Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.851	.444		1.917	.057
	Size	-.015	.012	-.087	-1.202	.231
	KB	.515	.275	.135	1.873	.063
	DAR	-.022	.241	-.007	-.092	.927

a. Dependent Variable: ABRES

Source: Data processed (2019)

Based on Table 6, it can be explained that the significant value of each independent variable is bigger than 0.05. Therefore, it can be concluded that the regression model does not occur heteroscedasticity.

4.4 Model Feasibility Test

4.4.1 Coefficient of Determination (R^2)

Table 7. Result of Determination Coefficient Test (R^2)

Model Summary^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.970 ^a	.942	.941	1.32090	2.089

a. Predictors: (Constant), DAR, Size, KB

b. Dependent Variable: DA

Source: Data processed (2019)

Based on Table 7 above, it shows that the Adjusted R Square (R^2) is 0.941. It means that 94.1 percent of the variety in the ups and downs of earnings management (discretionary accruals) can be explained by firm size, bonus compensation, and leverage, while the remaining 5.9 percent is explained by other factors outside the analyzed model.

4.4.2 F test

Table 8. Model Feasibility Test Results (F Statistical Test)

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5398.196	3	1799.399	1031.301	.000 ^b
	Residual	333.254	191	1.745		
	Total	5731.450	194			

a. Dependent Variable: DA

b. Predictors: (Constant), DAR, Size, KB

Source: Data processed (2019)

Based on Table 8 shows that all independent variables have a significant effect on the dependent variable as indicated by a significance value of 0.000, which is smaller than the significant level α (0.05).

4.4.3 T test

Table 9. Statistical Test Results t

Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	-3.970	.670		-5.928	.000
	Size	1.023	.019	.969	55.016	.000
	KB	-.196	.415	-.008	-.473	.637
	DAR	.151	.364	.007	.415	.679

a. Dependent Variable: DA

Source: Data processed (2019)

Based on Table 9 the following results are obtained:

- 1) The firm size variable has a coefficient value of 1.023 with a significance level of 0.000 which is smaller than 0.05, this means that firm size has a positive effect on earnings management, so H_1 is accepted.
- 2) The bonus compensation variable has a coefficient value of -0.196 with a significance level of 0.637 which is bigger than 0.05, this means that bonus compensation has no effect on earnings management, so H_2 is rejected.
- 3) The leverage variable has a coefficient value of 0.151 with a significance level of 0.679 which is bigger than 0.05, this means that leverage has no effect on earnings management, so H_3 is rejected.

4.5 Results and discussion

4.5.1 The effect of firm size on earnings management

Based on the results of the analysis, the t value is 55.016 with a significance level of 0.000 and a regression coefficient of 1.023. This means that firm size has a positive effect on earnings management.

The bigger of a firm, then the bigger the opportunity for the managers to carry out earnings management where large companies usually get more attention from various governments and investors. Therefore, the managers will prefer accounting methods that defer reported earnings from the current period to future periods to minimize reported earnings. It was done by the firm to avoid earnings changes or fluctuations that were too drastic [3].

4.5.2 The effect of bonus compensation on earnings management

Based on the results of the analysis, the t value is -0.473 with a significance level of 0.637 and a regression coefficient of -0.196.

This means that bonus compensation has no effect on earnings management. Management has another motivation to carry out earnings management, namely individually by doing earnings management, showing constant earnings from the current period to the future period will cause the performance of each individual in the firm to be considered good, so that they have a great opportunity to get rewards in the form of get a promotion. In addition, in avoiding the high taxes, earnings management is carried out by regulating the earnings in a certain amount so that the tax that must be paid is not too high.

4.5.3 Influence leverage against earnings management

Based on the results of the analysis, the t value is 0.415 with a significance level of 0.679 and a regression coefficient of 0.151.

This means that leverage has no effect on earnings management. In this study, the level of leverage is not proven to affect earnings management practices. According to [2], management motivation in practicing earnings management is Political Cost, where companies tend to choose and use accounting methods that can reduce reported earnings. Political costs include all costs that must be borne by companies related to political actions such as anti-trust or government regulations, monopolies, tax laws and so on.

5 Conclusion and suggestion

5.1 Conclusion

- 1) Firm size has a positive effect on the earnings management in manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2016-2018. The bigger of the firm, then the bigger the opportunity for managers to do earnings management.
- 2) Bonus compensation has no effect on the earnings management in manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2016-2018. Management has another motivation to carry out earnings management, namely motivation so that firm performance and individual performance are considered good, besides that there is motivation to avoid a high taxes.
- 3) Leverage has no effect on earnings management in manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2016-2018. Management's motivation in practicing earnings management is Political Cost, where companies tend to choose and use accounting methods that reduce reported earnings.

5.2 Suggestion

For further research, it suggested to increase the sample and expand the types of companies listed on the Indonesia Stock Exchange (IDX) with a longer observation year so that the research results can be more generalized.

Besides, in order to obtain a more representative result, it suggested adding other variables that influence to the earnings management practices such as good corporate governance, size of KAP, prifitability and information asymmetry.

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