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INFORMATION ASYMMETRY AND EARNING MANAGEMENT: GOOD CORPORATE GOVERNANCE AS MEDIATING VARIABLE

(Empirical study on the 10th best ranked by CGPI during the periods of 2004 – 2013)

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ABSTRACT

The reseach aims to analysis the effect of information asymmetry to earning management with good corporate governance as mediating variables. The sample is 43 manufacturing companies which listed in Bursa Efek Indonesia (BEI) and include the best 10th ranked by Corporate Governance Perception Index (CGPI) during the periods of 2004 – 2013. It selected by purposive sampling technique. Earning management is measured by short term discretionary accruals (STDA) and long term discretionary accruals (LTDA), while good corporate governance variable proxy is scored by Corporate Governance Perception Index (CGPI). Data analysis used multiple linear regressions with moderating variables. Based on the Kolmogorov Smirnov test, data has normal distribution. The test for classic assumption showed that there are no multicolinearity, no heteroscedasticity and no auto correlation. The results showed information asymmetry (t = 4,271) and good corporate governance (t = 4,408) have effect on earning management with short term discretionary accruals (STDA) model. Beside that good corporate governance (t = -4,156) mediates the effect of information asymmetry on earning management. Then, based on long term discretionary accruals (LTDA) model, the analysis showed that information asymmetry (t = -2,236) and good corporate governance (t = -2,743) have effect significantly on earning management. Finnaly, good corporate governance (t = 2,161) also mediates the effect of information asymmetry on earning management.

Keywords: information asymmetry, STDA. LTDA, good corporate governance.

INTRODUCTION

Agency relationship arises when the party of principal hire an agent in order to carry out the services and delegate authority to make decisions to the agent (Darwis, 2012). Information asymmetry arises because of the agency problem, where the manager has more information about the company than the shareholders. The information asymmetry and different interests between managers and shareholders allows managers to act earnings management.

According to Healy and Wahlen (1998) in Wiyadi, et al. (2013) the earnings management is an action to deceive and defraud shareholders because the manager has more information about the company and act to maximize their self-interest (Widyaningdyah, 2001 in Wiyadi, et al., 2013). Therefore, it is not surprising that managers utilizing the information asymmetry to perform management actions profit.

The pattern of earnings management action was twofold: to increase the earnings numbers and patterns with the pattern of decrease earnings numbers without affecting the company's profit in the long term. Earnings management action also has a negative and positive perspective. In a negative perspective (opportunistic), the action of earnings management is intended to maximize utility and market value of the company, so the managers gain greater bonuses. Whereas in a positive perspective (efficiency) is intended to improve efficiency in investment.

A manager has the opportunity to act earnings management because he also has the flexibility in choosing the method of accrual-based accounting. Using of accounting methods deliberately chosen for specific purposes eg utility maximization and the market value of the company to gain a bigger bonus. One of the researchers who have conducted research on the effects of information asymmetry on earnings management is Rahmawati, et al (2006). Their results showed that the information asymmetry has a significantly positive effect on earnings management.

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The action earnings management can be reduced through corporate governance mechanisms (Wiyadi, et al., 2013). In principle corporate governance related to the interests of the shareholders, equal treatment of shareholders, role of all interested parties (stakeholders), transparency and clarity. Many companies, especially large scale has been paying attention to the importance of corporate governance.

According to the Forum of Corporate Governance (2011) that corporate governance is a set of processes, policies, ordinances, institutions and rules that affect the control, direction and management of a company. Corporate governance also includes the relationships between majority and minority shareholders, managers, staff, creditors, governments, and stakeholders who have a connection to the rights and responsibilities of the company or a system that does the control and direction of the company

The implementation of goods corporate governance aims to create value added for stakeholders (FCGI, 2011). The implementation of corporate governance in a company will have an impact on earnings management actions undertaken manager. If the company is able to implement good corporate governance, the company will gain more benefit such as: easy to raise capital, lower capital costs, improved business performance and economic performance, as well as a better stock price. Implementation of corporate governance will be one of the key elements to cultivate economic efficiency, and provide a synergistic relationship between the stakeholders in the company (Arief and Pramuka, 2007).

Generally, the implementation of business activity is influenced by a framework of good corporate governance. The framework established by the laws and regulations, statutes, codes of conduct, agreements made with creditors, employees, consumers, and others. According to Surya and Yustiavandana (2006), so the companies have a more secure survival in the long term, the shareholders and stakeholders require the implementation of good corporate governance (GCG).

The main characteristic of weak corporate governance is the selfish act on the part of company managers to override the interests of investors. This causes investors to lose confidence in the return on investment in the company. Nasution and Setiawan (2007) describes corporate governance is a concept put forward for improving company performance through supervision or monitoring management performance and ensure the accountability of management to the stakeholders by basing on the regulatory framework. Furthermore, they mentioned that the concept of corporate governance proposed in order to achieve a more transparent management of the company for all users of financial statements.

Corporate Governace has two concepts, namely: the separation between ownership and control of the company. This separation would cause problems because of the differences of interest between shareholders with management (Jensen and Meckling, 1976). The main objective of corporate governance is to minimize cost of the company (agency costs) are derived from the separation of ownership and control (Weber, 2006). If a company applies good corporate governance, the potential of a manager in earnings management actions can be in control. Menuru Herawaty (2008) agency theory provides a view that earnings management problems can be minimized by monitoring themselves through good corporate governance.

Corporate governance contains four essential elements, namely: fairness, transparency, responsibility, and accountability is expected to be a means to reduce the agency conflict. With the good corporate governance is expected to the company value would be assessed properly by the investor (Susanti, 2010).

Research Wedari (2004) in Herawaty (2008) found that the practice of corporate governance has a relationship to earnings management. However Siregar & Bactiar (2004) there was no correlation between practical corporate Governace with earnings management.

This study is an attempt to follow up the results of research Rahmawati, et al (2006) which recommends the need to include the effect of corporate governance as a moderating variable to determine whether corporate governance is able to strengthen or weaken the relationship between information asymmetry with earnings management action. Variable of earnings management proxy for short term models of discretionary accruals (STDA) and long term discretionary accruals (LTDA). The reason for using a model for motivation signaling STDA is because markets expect the accrual of this type will be returned as soon as possible. While the reason for the use of models LTDA is a business

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manager to Fooling market participants due to the nature of the accrual provide an opportunity to manipulate to fulfill their own interests.

FORMULATION OF RESEACH PROBLEM

In the context of agency theory, the existence of asymmetric information will drive the agent to hide some information that is not known principal. The asymmetric information will provide opportunities to managers perform management actions as an attempt to maximize its utility earnings. One way to monitor the issue of contracts and restrict opportunistic behavior management is through the implementation of corporate governance mechanisms (Watts, 2003).

In general, problem in this research was formulated "Does good corporate govarnance able to moderate the effect of information asymmetry on earnings management in the manufacturing companies on the Stock Exchange and included in the 10th best ranked by CGPI"? Whereas the specific problem is formulated as follows:

1. Is the information asymmetry effect on earnings management?
2. What is good governance coorporate able to moderate the influence of information asymmetry on earnings management?

RESEARCH OBJECTIVES

The object of this study are all companies listed on the Indonesian Stock Exchange (BEI) and included in the top 10 best ranked by Corporate Governance Perception Index (CGPI) during the period of 2004 - 2013. Based on the formulation of problem, purpose this research was to test empirically the effect of information asymmetry on earnings management moderated by good corporate governance. Measurement of earnings management by using the model of short-term discretionary accruals (STDA) and long term discretionary accruals (LTDA). The specific purpose of this study are:

1. To analyze the effect of information asymmetry on earnings management.
2. To analyze the effect of good corporate governance to moderate the effect of information asymmetry on earnings management.

REVIEW OF LITERATURE

The implication of agency theory is the information asymmetry between the manager and the owner. Quality financial information is useful for investors to reduce information asymmetry (Komalasari, 2000 in Setyaningrum and Yunitasari, 2011). Information asymmetry is a situation where the manager has access to more information on the future prospects of the company than the shareholders (owners) and other stakeholders. Information asymmetry can be anticipated by the disclosure of information more qualified. Therefore, the manager is obliged to provide signal information regarding the condition of the company to the owner. But often the information submitted does not match the actual conditions. Due to the information asymmetry allows managers to act earnings management.

According to Fischer, et al (1995) in Dwiadnyana and Jati (2014) earnings management is the behavior of the manager who made the income statement and not in accordance with the actual situation in the current period without causing changes in the long-term economic profitability. While according to Scott (2006) earnings management is an accounting policy choice by the manager for various specific purposes. It can be concluded that the actions of earnings management is done through the selection of accounting policies or by controlling the accrual transactions.

Accrual transaction is a transaction which does not affect the cash inflows or cash out. Accrual transactions consist of transactions discretionary and non-discretionary. Discretionary accruals are accrued which can still be changed or influenced by policies made by management. Management has the flexibility to control the number, for example: the determination of lending policy provisions, the policy loss reserve accounts receivable, and inventory valuation. Non-discretionary accruals are accrued which can not be influenced by policies made by management. The management does not have the flexibility to control the number, for example: the use of accounting methods between

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the full and successful effort method, and changes in accruals due to changes in business volume (Scott: 2006). So it earnings management actions can be done with the pattern tends to raise or lower the earnings numbers.

Earnings management proxy for some models or approaches, namely: accrual earnings management model (Jones, 1991; and Dechow, 1994); accrual earnings management model of short-term and long-term (Whelan and McNamara, 2004); real earnings management model; and integrated management model income.

According to Kusuma (2006), Jones model and modified Jones model (discretionary accruals) divided into short-term component of discretionary accruals and long-term discretionary accruals. According Dechow in Hadri (2006) short-term and long-term discretionary accruals have different characteristics. Short-term discretionary accruals have relatively short period of time to be able to return. While the long-term discretionary accruals has the return time more than one financial in any year. The different characteristics of the market will be taken that the use of short-term discretionary accruals is for the purpose or motivation signaling. Meanwhile, the market may be considered the use of long-term discretionary accruals is a business manager to fool market participants, because of the nature of these accruals provide an opportunity for managers to manipulate.

To reduce earnings management actions can be done through the mechanism of corporate Governace (Wiyadi, et al., 2013). Cadbury Committee defines corporate governance as a system that directs and controls the company with the aim to achieve a balance between the strength of the company the necessary authority to ensure the continued existence and accountability to stakeholders. According to Arief and Scout (2007) application of corporate governance will be one of the key elements to cultivate economic efficiency, and provide synergistic relationship among the parties interested in the company. So that the application of corporate governance in the company will certainly impact to earnings management actions conducted by manager.

Issues related to corporate governance have started a lot discussed in the business world. One proxy for corporate governance that can be used at this time is the Corporate Governance Perception Index (CGPI). CGPI is the result of an institute of research cooperation between the Indonesian Institute for Corporate Governance (IICG) with SWA magazine that voluntarily doing the rating of GCG implementation on the companies go public in Indonesia. CGPI program has consistently been held every year since 2001

1. Relationship Between Information Asymmetry And Earnings Management

The existence of information asymmetry is considered as a cause of earnings management. One of the gauge the information asymmetry between management and shareholders of the company is the bid-ask spreads. As evidence of the bid-ask spreads have the ability to measure the asymmetry of information shown by Healy, Palepu and Sweeney (1995) and Welker (1995) in Rahmawati et al. (2006)

Richardson (1998) in Rahmawati et al. (2006) examined the relationship asymmetry of information with the earnings management in all companies listed on the NYSE at the end of June during the 1988-1992 periods. Research results suggest that there is a systematic relationship between magnitut asymmetry of information and the level of earnings management. The flexibility of management to manage earnings could be reduced by providing more quality information to outsiders.

According to the research results Halim et al. (2005) the information asymmetry, performance of the present and the future, leverage factor, and the size of the company significantly effect on earnings management. Similarly, research conducted by Rahmawati et al. (2006) showed the information asymmetry significantly positive effect on earnings management. So that, it can be formulated hypothesis is as follows:

H_1 : Information asymmetry effect on earnings management

2. Relationship Between Information Asymmetry And Earnings Management Moderated by Good Corporate Governance

According to Schipper (1989) earnings management intervention or intervention is the manager in the process of preparation of financial statements in order to maximize personal gain. From these definitions suggests that earnings management is opportunistic behavior of managers to maximize their utility. Managers perform earnings management

action by selecting methods or accounting policies to increase or decrease profit figure profit numbers. Managers increased their earnings by shifting profits coming period to the current period and decrease profit figures by shifting earnings period now coming period (Widodo, 2005).

The underlying philosophy of management interests is the need for harmonization and systematization of management in order to produce an effective and efficient performance. As an integral part of the company, the management who want to achieve a form of a regular system of course will require the application of GCG consistently. Because to achieve optimal performance, members of management and employees must be balanced and fair treatment in accordance with their respective position. The principle of fairness of GCG role to realize the management company is doing well. Thus GCG can strengthen or weaken the (moderate) in making a decision transparency of financial reporting with the objective to optimize the performance of the company (Solar and Yustiavanda, 2014). On the basis of the above, it can be formulated hypothesis is as follows:

H_2 : Good Corporate Governance can moderate the effects of information asymmetry on earnings management.

RESEARCH METHODS

This research was designed to clarify the effect of good corporate governance in moderating information asymmetry effect on earnings management. The object of the research is all of companies listed on the Stock Exchange and included in 10th the best rank of CGPI during the period of 2004 - 2013. This research uses panel data (pooled data) dimensionless time for 10 years.

Total sample as many as 43 companies are taken by purposive sampling. Criteria for sampling, namely: (1) companies listed on the Stock Exchange; (2) included in the top 10 best ranked fo CGPI; (3) publish annual financial statements for during the period of 2004-2013.

The variable in this research is Earnings Management, Information Asymmetry, Good Corporate Governance, and Interaction between Interaction Information Asymmetry with Good Corporate Governance. Earnings management is the manager's direct intervention in the process of preparing the financial statements for the purpose of obtaining certain advantages or benefits both for themselves and the company. This variable is proxied by using the model of the Long Term Discretionary Accruals (LTDA) and Short Term Discretionary Accruals (STDA). To determine the value LTDA and STDA with the following stages:

$$ACC_{i,t} = EARN_{i,t} - CFO_{i,t}B \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (1)$$

Where :
$ACC_{i,t}$: Total accruals of firm i in year t
$EARN_{i,t}$: Income before extraordinary items of firm i in year t
$CFO_{i,t}$: Cash from operations of firm i in year t

Short-term accruals according Dechow (1994) and Whelan and McNamara, (2000) is defined as the accrual policies undertaken in the short term.

$$STACC_{i,t} = \Delta AR_{i,t} + \Delta INV_{i,t} + \Delta OCA_{i,t} - \Delta AP_{i,t} - \Delta TXP_{i,t} - \Delta OCL_{i,t} \quad \ldots\ldots (2)$$

Where:
$STACC_{i,t}$: Short Term Accruals firm i in year t
$\Delta AR_{i,t}$: Accounts Receivable in year t minus Accounts Receivable in year t-1 firm i
$\Delta INV_{i,t}$: Inventory year t minus inventory in year t-1 firm i
$\Delta OCA_{i,t}$: Other current assets year t minus other current assets in year t-1 firm i
$\Delta AP_{i,t}$: Accounts payable in year t minus accounts payable in year t-1 firm i
$\Delta TXP_{i,t}$: Tax payable in year t minus tax payable in year t-1 firm i
$\Delta OCL_{i,t}$: Current liabilities in year t minus other current liabilities in year t-1 firm i.

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In accordance with the definition of total accruals, ie the combined short-term and long-term accruals, then the long-term accruals sought by subtracting the total accruals with short-term accruals.

$LTACC_{i,t}$: $ACC_{i,t} – STACC_{i,t}$ …… (3) Where:
LTACCi,t : Long-term accruals of firm i in year t
ACCi,t : Total Accruals of firm i in year t
STACCi,t : Short-term accruals of firm i in year t

Information asymmetry is a situation where the manager has access to information on the prospects of companies that are not owned by the parties outside the company. Information asymmetry in this research is proxied by relative bid-ask spread, which can be expressed as follows (Rahmawati, et al., 2006):

$$\mathbf{SPREAD = (ask_{i,t} – bid_{i,t})/\{(ask_{i,t} + bid_{i,t})/2\} \times 100\% \ldots\ldots (4)}$$

Model to adjust the spread is:

$$\mathbf{SPREAD_{i,t} = \alpha_0 + \alpha_1 PRICE_{i,t} + \alpha_2 VAR_{i,t} + \alpha_3 TRANS_{i,t} + \alpha_4 DEPTH_{i,t} + ADJSPREAD_{i,t} \ldots (5)}$$

Explanation:

α_0 = Constant
$Ask_{i,t}$ = Ask price (bid) the highest stocks companies that occurred on the day i t
$Bid_{i,t}$ = Bid price (ask) the lowest stocks companies that occurred on the day i t
$PRICE_{i,t}$ = Closing price of stocks companies i on day t
$TRANS_{i,t}$ = The number of transactions of a stock company i on day t
$VAR_{i,t}$ = Variant daily return during the research period on stocks the company and day t. Daily Return is the percentage change in the stock price on day t with the share price on the previous day (t-1) 2
$DEPTH_{i,t}$ = The average number of stocks companies i in all the quotes (number provided on ask plus the amount available at the time of the bid divided by two) for each day t.
$ADJSPREAD_{i,t}$ = The residual error is used as a measure SPREAD which have been adapted for firm i on day t.

Moderating variables in this study were good corporate governance is proxied by the score CGPI is used in the form of numbers from 0 to 100. The sample used in this research is the all of company was ranked by 10 best scores IICG CGPI granted during the period of 2004-2013.

Data were analyzed using descriptive analysis techniques and statistical analysis. Descriptive and statistical analysis performed using SPSS version 17.0 for Windows. The analysis used is as follow:

1. Multiple Linear Regression Analysis

Multiple linear regression analysis to measure the strength of the relationship between two or more variable, also shows the direction of the relationship between the dependent and independent variables (Ghozali, 2006). Before the regression analysis performed classical assumption test which includes test: Normality, Multicollinearity, Heteroscedastity, and autocorrelation. Regression models were used in this research is:

$$Y = \alpha + b_1X_1 + b_2X_2 + b_3X_1X_2 + \varepsilon$$

Explanation:

Y : Earnings Management (STDA or LTDA)
α : Constant
b_1 : Regression Coefficient of variable X_1
b_2 : Regression Coefficient of variable X_2
b_3 : Regression Coefficient of variable X_1X_2
X_1 : Asimetri Informasi
X_2 : *Corporate Governance Perception Index* (CGPI)
X_1X_2 : Interaction between Information Asymmetry and CGPI
ε : *Measurement error*

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2. Coefficient of Determination (R^2)

This coefficient is used to determine how far the independent variables are able to explain to changes in the dependent variable, using the formula:

$$R^2 = \frac{\sum\left(\hat{Y} - \tilde{Y}\right)}{\sum\left(Y - \tilde{Y}\right)}$$ ……. (Gujarati in Setiaji, 2006: 30)

$\hat{Y}$: Y estimation
$\tilde{Y}$: Y mean

Coefficient values of R^2 range from 0 to 1, if the calculated value of the coefficient R^2 is getting close to 1, the stronger the independent variables influence the independent variable:

3. Uji F (Test of Fit of Model)

F-test was conducted to determine the effect of simultaneous independent variable on the dependent variable. F test is used to determine the level of significance of the independent variables on the dependent variable together. If $F_{count} > F_{tab}$ then Ho is rejected and accepted Ha, it means the using model is accurated or fit. But if $F_{count} < F_{tab}$ the Ho is accepted and rejected Ha, it means the using model is not accurated or not fit (Santoso, 2001: 168).

4. t-Test (Test of Hypothesis)

T test was conducted to determine the effect of independent variables on the dependent variable partially. This test is to determine the effect of each independent variable on the dependent variable. If the value of $t_{count} > t_{tab}$ it can be said that there is a significant contribution between the dependent and independent variables individually, otherwise if $t_{count} < t_{tab}$ then there is no significant contribution (Santoso, 2001: 168)

Ho rejected if $t_{count} > t_{tab}$ where : $\alpha = 0{,}10$
Ho accepted if $t_{count} < t_{tab}$

THE RESULTS OF DATA ANALYSIS

The data used in this research are all companies listed on the Indonesian Stock Exchange (BEI) and included in the top 10 best Corporate Governance Perception Index (CGPI) during the period 2004 - 2013. The amount of data that was collected is shown in the following table:

Table 1: Description of Research Data

NO.	DESCRIPTION	AMOUNT
1.	All of companies listed on the Stock Exchange and included in 10th the best ranked by CGPI during the periods of 2004 - 2013	100
2.	Non-manufacturing companies listed on the Stock Exchange and included in 10th the best ranked by CGPI during the periods of 2004 - 2013.	(23)
3.	Companies listed on the Stock Exchange and included in 10th the best ranked by CGPI during the periods of 2004 - 2013.	77
4.	Companies listed on the Stock Exchange and included in 10th the best ranked by CGPI the periods of 2004 - 2013 were in outleur.	(34)
5.	Data were analyzed decent company	43

Source: Secondary data processed, 2015

Based on the table above, from the amount of data as many as 100 companies that deserve to be analyzed only by 43 companies.

1. Statistics Description

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Statistics description all of the variables used in the model are presented in the following table:

Table 2: Statistics Description

Variable	N	Minimum	Maximum	Mean	Std. Deviation
AI	43	0,18	1,71	0,6793	0,36736
STDA	43	-0,89	-0,20	-0,6390	0,18899
LTDA	43	-0,14	1,49	0,7805	0,46001
GCG	43	72.09	89,04	79,4795	4.69397
Interaction AI_GCG	43	13,77	127,25	54,3267	30,20448

Source: Secondary data processed, 2015

From table 2 above known the average value of Information Asymmetry is 0.6793; Value of standard deviation of Information Asymmetry is 0.36736. Average value of STDA is -0.6390; Standard deviation value of STDA is 0.18899. Average value of LTDA is 0.7805; Standard deviation of LTDA is 0.46001. Average value of GCG is 79.4795; Value of a standard deviation is 4.69397. Average value of interaction Asym*GCG is 54.3267; Standard deviation is 30.20448. So all research variables, namely: Information Asymmetry, GCG, interaction Asym*GCG, STDA, and LTDA have an average value more than value of standard deviation, it means the data is normally distributed.

2. Hypothesis Testing

Before testing the hypothesis with multiple regression analysis, first performed classical assumption test which includes: normality test, multicolinearity, heteroscedasticity test and autocorrelation test.

Test of Classical Assumption

a. Test of Normality

From the results of the normality test can be known whether the regression model, the dependent variable and independent variables both have the normal distribution of data distribution or not. Based on the Kolmogorov-Smirnov test results through the use of SPSS version 17.0 for Windows obtained probability value of 0.745.

Table 3: Kolmogorov-Smirnov Test

Model	*Z*	P. Value	Criteria	Conclussion
Unstandardized residual	0,680	0,745	$p > 0,05$	Distributed Data Normally

Source: Secondary data processed, 2015

From the above table it is known that significant value or a probability of 0.745 or more than 0.05. It means all of the variables have a normal distribution data.

b. Test of Multicolinearity

This test is intended to determine the linear relationship between two or more independent variables in the regression model. Criteria to determine whether there is multicollinearity can be seen from tolerance value or variance inflation factor (VIF). Limit from tolerance value is 0.1 so that when the tolerance value below 0.1 then there multicollinierity. While the variance tolerance factor (VIF) is the opposite from tolerance value,

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because VIF = 1/tolerance. VIF limit is 10 if VIF more than 10 occured multicollinierity (Ghozali, 2001: 56). The test results of multicollinearity are as follows:

Table 4: The Results of Multicolinierity Test

Variable	STDA Approach		LTDA Approach	
	Tolerance	VIF	Tolerance	VIF
Information Asymmetry	0,961	1,041	0,961	1,041
GCG	0,961	1,041	0,961	1,041

Source: Secondary data processed, 2015

Based on test results multikolinearitas using the computer program SPSS 17.0 for Windows tolerance values obtained on each variable is greater than 0.1 and VIF value smaller from 10. So it shows there is no regression models multicollinearity problems.

c. Test of Heteroscedasticity

To determine whether the data used or unused occur heteroscedasticity Glejser Test. Based on the test results Glejser with SPSS version 17.0 was obtained the following results:

Table 5: The Results of Heteroscedasticity Test

Variable	STDA Approach		LTDA Approach	
	t statistic	p-value	t statistic	p-value
Information Asymmetry	-0,171	0,865	-0,536	0,576
GCG	-0,033	0,974	-0,622	0,537
Asym*GCG	0,140	0,889	0,541	0,591

Source: Secondary data processed, 2015

Based on test results heteroscedasticity with Glejser test in the table above, that the results of the probability (p) or significance on each variable is more than 0.05, so it can be concluded that standard error (e) in this regression model no symptoms heteroscedasticity.

d. Test of Autocorelation

The method used to test the autocorrelation is by Run test, as part from non-parametric statistics may be used to test whether there is a correlation between high residual. If there is no relationship between residual correlations it is said that the residuals are random or random. Run a test used to see whether the data residual occured random or not (systematically).

Table 6: The Results of Autocorelation Test by *Run Test*

Dependent Variable	Test Value	p-value	Conclussion
Information Asymmetry STDA	-0.01547	0,755	Not Occurred autocorrelation
Information Asymmetry LTDA	-0.02044	0,755	Not Occurred autocorrelation

Source: Secondary data processed, 2015

Based on the results, the test value of Information Asymmetry are -0.01547 (STDA) and -0.02044 (LTDA); profitability value is 0.755. It means the null hypothesis is rejected. So that, it can be concluded the residual random or residual value did not occured autocorrelation.

Test of Hypothesis

1. The Function of Regression Equation

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Testing of hypothesis in this research use multiple linear regression analysis was intended to measure the strength of relationship between the independent variables is Asymmetry Information (X) with a dependent variable ie Earnings Management (Y) moderated by Corporate Governance variable. By using SPSS 17.0 for Windows, the results of hypothesis testing is analyzed by multiple linear regression as follows.

Table 7: The Results of Multiple Linear Regression Analysis

Variable	STDA Approach			LTDA Approach		
	Coeficient	t statistic	p-value	Coefficient	t statistic	p-value
C	-4,469	-5,294	0,000	7,415	3,157	0,003
Information Asymmetry	5,012	4,271	0, 000	-7,301	-2,236	0, 031
GCG	0,047	4,408	0, 000	-0,081	-2,743	0, 009
Asym*GCG	-0,061	-4,156	0, 000	0,088	2,161	0, 037
	F statistic = 8,784 p-value = 0, 000** R^2 = 0,403			F statistic = 3,671 p-value = 0, 020** R^2= 0,220		

Source: Secondary data processed, 2015
Dependent Variable: Earnings Management (STDA and LTDA)
*) significant $\alpha \leq 0,10$
**) significant $\alpha \leq 0,05$
***) significant $\alpha \leq 0,01$

Based on the table above, the LTDA and STDA regression equation can be expressed as follows:

STDA = - 4,469 + 5,012 Asym + 0,047 GCG - 0,061 Asym*GCG + e

LTDA = 7,415 - 7,301 Asym - 0,081 GCG + 0,088 Asym*GCG + e

From the equation above can be interpreted as follows:

a. On the STDA approach, Information Asymmetry and Good Corporate Governance have positive effect on Earnings Management, while the Interaction Information Asymmetry with good corporate governance has negative affect on Earnings Management.

b. On the LTDA approach, Information Asymmetry and good corporate governance has negative affect on Earnings Management, while the Interaction of Information Asymmetry with Good Corporate Governance has positive effect on Earnings Management.

2. Test of Fit of Model (F Test and R-Square)

F test is used to determine whether the independent variables (X) simultaneously have an effect on the dependent variable (Y). From Anova or F test, the value of STDA approach obtained F = 8.784 with probability value 0,000 (less than 0.05). Then reject H_0 and accept H_a. It means Information Asymmetry, GCG, and Interaction Information Asymmetry*GCG, simultaneously significantly effect on Earnings Management (STDA) and the models used in this research is accurate or fit. Similarly, the value of LTDA approach obtained F = 3.671 with probability value 0,020 (less than 0.05). So, we reject H_0 and accept H_a. It means Information Asymmetry, GCG, and Interaction Information Asymmetry*GCG, simultaneously significantly effect on Earnings Management (LTDA) and the models used in this research is accurate or fit.

The accuracy model can also be measured by the coefficient of determination (R^2), it means the contribution of the independent variable (X) can explain the dependent variable (Y). Based on the results of regression testing on a short-term approach (STDA) obtained value R^2 (R-square) of 0.402. It means the variation of the dependent variable changes (STDA) can be explained by the independent variable (Information Asymmetry; GCG; Asymmetry Information*GCG) is 40.2 %. While their rest of 59.8% is explained by other variables are not described in the model. Furthermore, the long term approach (LTDA) obtained value R^2 (R-square) of 0.220. It means the variation of dependent variable changes (STDA) can be explained by the

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independent variable (Information Asymmetry; GCG; Asymmetry Information*GCG) is 22.0%. While the rest of 78.0% is explained by other variables are not described in the model

2. **Hypothesis Testing**

This test is used to determine whether a parameter or independent variable (X) has a partial effect on the dependent variable (Y). Based on the results of data processing with SPSS version 17.0 for Windows obtained the following results:

1. Information Asymmetry has a regression coefficient (β = 5.012); t = 4.271; and p-value = 0.00 less than 0.05, it can be concluded the Information Asymmetry has positive and significant effect on Earnings Management (STDA). While in the long term approach, Information Asymmetry has a value β = 7.415; t = -2.236; and p-value = 0.031 less than 0.05. So it can be concluded that the effect of Information Asymmetry significantly improve to Earnings Management (LTDA).
2. In the short term approach, Good Corporate Governanve has a regression coefficient (β = 0.047); t = 4.408; and p-value = 0.000 less than 0.05. It can be concluded that Good Corporate Governance has positive and significant effect on Earnings Management (STDA). While in the long term approach, GCG has a value of regression coefficient (β = -0.081); t = -2743; and p-value = 0.009 less than 0.05, so it can be concluded that Good Corporate Governance significantly improve to Earnings Management (LTDA)
3. In the short term approach, interaction between the Information Asymmetry and Good Corporate Governanve has value of regression coefficient (β= -0.061); t = -4.156 and p-value = 0.000 less than 0.05, it can be concluded that the GCG may moderate the effect of Information Asymmetry on Earnings Management (STDA). Interaction between Information Asymmetry and Good Corporate Governanve has a value β = 0.088; t = 2.161 and p-value = 0.037 less than 0.05, it can be concluded that the GCG may moderate the effect of Information Asymmetry on Earnings Management (LTDA).

RESULTS AND DISCUSSION

1. The effect of Information Asymmetry on Earnings Management Companies

Based on the results of multiple linear regression analysis in Table 7 indicate a significantly relationship between the Information Asymmetry and earnings management proxied by STDA (β = 5012; t = 4,271; p = 0.000 less than 0.05). So, as higher as the Information Asymmetry can be improve to earnings management. While the function of the second equation indicates a significantly relationship between the Information Asymmetry and Earnings Management proxied by the LTDA (β = -7301; t = -2236; p = 0.031 less than 0.05). It means, as higher as the information asymmetry can be reduce Earnings Management. Results of analysis on both earnings management approach (STDA and LTDA) proves the first hypothesis, and also supports research Darmawan (2014); Alviantini (2013); Wisnumurti (2010); Rahmawati, et al (2006) that the Information Asymmetry effect on earnings management.

2. The effect of Good Corporate Governance on Earnings Management

Table 7 above provides an overview about a significantly relationship between good corporate governance with earnings management proxied by STDA (β = 0.047; t = 4.408; p = 0.000 less than 0.05). As higher as good corporate governance will be improve earnings management. In the second equation function showed a significantly relationship between good corporate governance with Earnings Management proxied by

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LTDA (β = -0.081; t = -2.743; p = 0.009 less than 0.05). It means as higher as GCG can be reduce Earnings Management. So that the results of analysis on both earnings management approach (STDA and LTDA) proves the truth of the first hypothesis and support research Alviantini (2013) and Wisnumurti (2010) that GCG significantly effect on earnings management.

3. The Effect of CGC to Moderate The Effect of Asymmetry Information on Earnings Management

In Table 6 above provides an overview about significantly interaction between Information Asymmetry and Good Corporate Governance to Earnings Management (STD). As higher as interaction the Information Asymmetry with GCG can be reduces Earnings Management (STDA). Based on the results of multiple linear regression analysis indicates a significantly relationship interaction between Information Asymmetry and good corporate governance on Earnings Management STDA model (β = -0061; t = -4156; p = 0.000 less than 0.05). It means the interaction between Information Asymmetry with good corporate governance is considered essential in reducing the action of Earnings Management (STDA). And interaction between Information Asymmetry and Good Corporate Governance can be moderate the effect of Asymmetry Information to Earnings Management (STDA).

Table 7 above also indicates that interaction between Information Asymmetry and Good Corporate Governance significantly effect on Earnings Management (LTDA). Where as higher as interaction between Information Asymmetry and GCG can be improve Earnings Management (LTDA). Based on the results of multiple linear regression analysis the interaction between Information Asymmetry and Good Corporate Governance significantly effect on Earnings Management by LTDA model (β = 0.088; t = 2.345; p = 0.037 less than 0.05). It means the interaction between Information Asymmetry and the good corporate governance is essentially improving to Earnings Management (LTDA). So that interaction between the Information Asymmetry and good corporate governance can be moderate the effect of Asymmetry Information on Earnings Management (LTDA)

So the results of the analysis on both earnings management approach (STDA and LTDA). So the third hypothesis to prove the truth and supporting research of Alviantini (2013) and Wisnumurti (2010 that good corporate governance can be moderate effect of Information Asymmetry on Earnings Management. But it does not support the results research of Patiran (2008) good corporate governance can not be moderate effect of Information Asymmetry on Earnings Management.

CONCLUSSIONS

1. The results of research, from the 43 companies showed the Information Asymmetry significantly effect on Earnings Management proxied by STDA or LTDA. In the short term approach, the effect of Information Asymmetry can be improves Earnings Management. While on approach to long term, the effect of information asymmetry can be reduce Earnings Management.
2. Interaction between Information Asymmetry and Good Corporate Governance can be moderate the effect of Information Asymmetry on Earnings Management is proxied by STDA or LTDA. In the short term approach, the effect of interaction between Information Asymmetry and Good Corporate Governance can reduce Earnings Management. While on approach to long term, the effect of interaction between Information Asymmetry and Good Corporate Governance can be improve Earnings Management.
3. Total samples are 43 companies included in the 10 best of rank during 2004 - 2013. Because the 23 companies are non-manufacturing, its mean the 77 companies are manufacturing. And outlier data is 34 companies.

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4. The independent variables are moderated by the Good Corporate Governance is the Information Asymmetry. Thus for future research shoul be add another variable, such as: Profitability, Leverage, company size, etc.

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