

REAL EARNING MANAGEMENT IN ANALYSIS OF THE INFLUENCE OF FINANCIAL STABILITY, FINANCIAL TARGET AND LEVERAGE IN MANUFACTURING COMPANIES LISTED BY INDONESIA STOCK EXCHANGE

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ABSTRACT

This study aimed to analyze the detection of financial statements by using leverage, Financial Stability, and Financial Targets, on Real Earnings Management. Empirical Study on Manufacturing Company listed on the Indonesia Stock Exchange for the reporting year 2012 to 2014. Given the important role that the report finance, then only the quality of financial statements and is free from material misstatement whether intentional (fraud) or unintentional (error) which can be trusted as a source of information for decision making. For that as a long term objective is that each company can detect early financial reports by internal control section or part of its internal audit to avoid the possibility of fraud Financial Statements. The sample in this study were selected based on purposive sampling method with 20 manufacturing companies who listed on the Indonesia Stock Exchange for the reporting year 2012 to 2014. The analytical method used is multiple regression analysis using SPSS version 24. The results of this study showed that simultaneous leverage, financial stability pressure, and financial targets significantly affect the financial statements fraud by proxy real earnings management. And for partial, financial stability and financial targets significant effect on the real earning mangement.

Keywords: Leverage, financial stability pressure, financial targets, real earnings management.

INTRODUCTION

Profit Management with the proxy used in this study is real activity manipulation is manipulation through daily company activities throughout the accounting period with the aim of meeting profit targets or to avoid losses. Manipulating through real activities is a safe way to achieve profit targets because it can be done at any time during the accounting period running. The achieved profit target shows good company performance even though it comes from manipulation and does not describe the actual condition of the company. This can reduce the value of the company in the future. Earnings management through manipulation of real activities can be done through operating cash flows, overproduction costs, and discretionary costs, (Roychowdhury, 2006: 337). Agency theory implies the existence of information asymmetry between managers as agents and owners (in this case shareholders) as principals.

The financial statements of the Manufacturing company were chosen as research material because of the large population compared to other industries. Besides that, more manufacturing companies have greater fraud potential because of their operational complexity. The importance of the role of the financial statements as the giver of information, only quality financial reports and free from material misstatements both intentional (fraud) and unintentional (errors) that can be trusted as a source of information for decision making. According to SAS No. 99, there are four types of pressure that might result in fraud in the financial statements. The type of pressure is external pressure, personal financial need and financial targets. SAS No. 99 classifies opportunities that might occur in fraudulent financial statements in three categories.

Leverage is used as a proxy for financial distress from the pressure / incentive factor in triangle fraud. Companies that experience financial distress (financial pressure) have a greater incentive to commit fraudulent financial statements (fraud), compared to companies that do not experience financial distress (Begley, Ming, and Watts 1997 in Brazel et al., 2009: 1152) Companies with a high degree of leverage, have a risk of violating the debt agreement which results in a cost such as sanctions limiting payment of dividends or limiting the addition of debt and hampering management's work.

Based on the background of the problem described, the formulation of the problems to be discussed in this study are first, does leverage have a significant effect on real earnings management? Second, does financial fStability have an influence on real earnings management? Third, does financial target have an influence on real earnings management? And Finally, does leverage, financial stability and financial targets have a significant influence on real earning management?

LITERATURE REVIEW

Agency or agency theory is often used to explain accounting fraud. Agency theory intends to solve two problems that occur in the agency relationship. That is, if the wishes or goals of the principal and agent conflict (conflict of interest), and if the principal finds it difficult to trace what is done by the agent. Conflict of interest between the owner and agent occurs because the agent may not always act in accordance with the interests of the principal, thus triggering costs agency (agency cost) (Sam'ani, 2008: 34). According to Jensen and Meckling (1976) in Sam'ani (2008: 33), states that agency theory describes shareholders as principals and management as agents.

According to Roychowdhury (2006: 337), earnings management through real activity manipulation is a management action that deviates from normal business practices of the company with the main goal of achieving the expected profit target. Earnings management through manipulation of real activities is carried out by management through the company's daily activities during the period. While earnings management through accrual manipulation can be done during the accounting period the company runs. According to Roychowdhury (2006: 340), earnings management through real activities is carried out through operating cash flows, production costs, and discretionary costs.

Operating cash flow is one type of activity from the cash flow statement which consists of the company's operational activities. Abnormal operating cash flows obtained from the difference in actual operating cash flow values scaled by total assets one year before testing are reduced by the cash flows of normal operating activities which are calculated using the estimated coefficients of the regression equation model (Roychowdhury, 2006: 344) as follows:

$$CFO_t / A_{t-1} = \alpha_0 + \alpha_1 (1 / A_{t-1}) + \alpha_2 (St / A_{t-1}) + \alpha_3 (\Delta St / A_{t-1}) + e_t$$

Information:

CFO_t = company's operating cash flow *i* in year *t*
 A_{t-1} = total assets of company *i* in year *t-1*
 St = total sales of company *i* in year *t-1*
 ΔSt = change in company sales from end of year *t* to year *t-1*
 α₀ = constant.
 E_t = error term in year *t*

Discretionary costs are costs that do not have a relationship that is accrual to output. Discretionary expenditures used in conducting manipulation include advertising costs, research and development costs (R & D), as well as sales, general and administrative costs. Real activity manipulation can be detected through discretionary costs by using abnormal discretionary costs (ABN_DISEXP). Abnormal discretionary costs obtained from the difference in actual discretionary cost values scaled by total assets one year before testing are reduced by normal discretionary costs which are calculated using the estimated coefficients of the regression equation model (Roychowdhury, 2006: 345) as follows:

$$DISEXP_t / A_{t-1} = a_0 + a_1 (1 / A_{t-1}) + \beta (St / A_{t-1}) + e_t$$

Information:

DISEXP_t = discretionary cost in year *t*
 A_{t-1} = total assets in year *t-1*
 St = sales in year *t*
 a₀ = constant
 e_t = error term in year

Production costs are all costs incurred or needed to produce an item. The method used in carrying out real manipulation through these production costs is overproduction. Real activity manipulation can be detected through production costs using abnormal production costs (ABN_PROD). Abnormal production costs obtained from the difference in the value of actual production costs scaled by total assets one year before testing are reduced by normal production costs which are calculated using the estimated coefficient of the regression equation model (Roychowdhury, 2006: 345) as follows:

$$PRODt / A_{t-1} = a_0 + a_1 (1 / A_{t-1}) + \beta_1 (St / A_{t-1}) + \beta_2 (DSt / A_{t-1}) + \beta_3 (DSt-1 / A_{t-1}) + e_t$$

Information:

PRODt = production costs in year *t*, namely: cost of goods sold + change in inventory
 A_{t-1} = total assets in year *t-1*
 St = sales in year *t*
 ΔSt = sales at year *t* minus sales at year *t-1*
 ΔSt-1 = change in sales in year *t-1*
 a₀ = constant
 e_t = error term in year

The characteristics of fraudulent financial statements involving concealment cause fraud to be more difficult to detect than errors (Koroy, 2008: 26). Although fraud is usually hidden, there are risk factors or conditions that can warn the auditor of possible fraud. The Fraud triangle theory is an idea that examines the causes of fraud. This idea was first created by Donald R. Cressey (1953) called the fraud triangle (Skousen et al., 2009: 6). The Fraud triangle explains three factors that are present in each fraud situation.

First situation is pressure, namely the existence of incentives / pressure / need to commit fraud. Pressure can cover almost everything including lifestyle, economic demands, etc. including financial and non-financial matters. Pressure most often comes from the pressure of financial needs. Second situation is opportunity, namely a situation that opens the opportunity to allow fraud to occur. Opportunities are created because of weaknesses in internal control, ineffectiveness of management oversight, or misuse of position (authority). Third situation is rationalization, namely the existence of attitudes, characters, or a series of ethical values that allow certain parties to commit fraudulent acts, or people who are in a fairly pressing environment that makes them rationalize fraudulent actions. Rationalization is part of the fraud triangle that is the most difficult to measure (Skousen et al., 2009: 6)

Leverage is defined as how far the company uses funding through debt. In this study, leverage is the ratio between debt and assets. This measure relates to the existence and tightness of a debt agreement (Agnes, 2001: 93). High debt levels can increase the probability of fraudulent financial statements because of the transfer of risk from capital owners and managers to creditors (lenders) (Spathis, 2002: 184). The same thing was also expressed by Brazel et al., (2009: 1152) who used the leverage variable as a proxy for financial distress. H1: Leverage has a significant influence on Real Earnings Management

Financial stability is a condition that describes the company's financial condition from a stable condition. Total assets describe the assets owned by the company. Total assets include current assets and non-current assets. The high assets owned by the company attract investors. Based on this description, this study proposes the following hypothesis: H2: Financial stability has a positive effect on Real Earnings Management.

Financial pressure is proxied by ROA, which is a ratio used to measure a company's ability to generate profit after tax by using the total assets held by the company. Return on total assets (ROA) is a broad measure of operating performance used to show how efficiently assets have been used (Skousen et al., 2009).

H3: Financial Targets have a positive effect on Real Earnings Management

In this study also tried to see, how simultaneously variables Leverage, Financial Stability, Financial Targets to detect fraudulent financial reporting in this case using the Real Profit Management proxy.

H4: Leverage, Financial Stability, Financial Targets affect Real Earnings Management.

RESEARCH METHODOLOGY

This study aims to analyze and detect manufacturing companies that have the potential to commit fraud on their financial statements. The population in this study are Manufacturing Companies listed on the Indonesia Stock Exchange, with a research period from 2012-2014.

The sample in this study is a manufacturing company listed on the Indonesia Stock Exchange in 2012-2014. Sampling in this study was obtained by purposive sampling method, meaning that the sample used in this study is a sample that meets certain criteria. The purpose of using this method is to get a representative sample. The criteria used in sampling are as follows:

The data source used in this study is using secondary data.

- Manufacturing companies listed on the Indonesia Stock Exchange and there are independent auditor reports.
- Manufacturing companies that have been listed on the Indonesia Stock Exchange before 2012.
- The Banking Company issues financial statements in rupiah currency and the financial statement period ends on December 31, 2014.
- The company was not delisted on the Indonesia Stock Exchange during the 2012-2014 research period.
- Have complete data for all variables studied.

The data used in this study are secondary data, namely financial statements from manufacturing companies that have been audited by independent auditors and have been listed on the Indonesia Stock Exchange (IDX) and Capital Market Directory for 2012-2014. Data for research variables:

- Leverage, leverage variable is calculated from total debt divided by total assets, obtained from the company's financial statements for the 2012-2014 research year. Financial reports are downloaded from www.idx.co.id.
- Other variables in this study are variables developed from the three components of triangle fraud. The three components of fraud triangle are: (1) pressure; (2) opportunity; (3) and rationalization cannot be examined directly, therefore variables with certain proxies are needed to measure them (Skousen et al., 2009).
- Variable financial stability pressure which is proxied by the ratio of change in total assets (ACHANGE), financial targets variable that is proxied by Return On Assets (ROA). Financial stability is a condition that describes the company's financial condition in a stable condition. When the company's financial stability is in a threatened condition, management will do various ways so that the company's financial stability is in good condition. An assessment of the stability of the company's financial condition can be seen from the condition of its assets.
Financial Targets. One measurement to assess the level of profit obtained by the company for the effort spent is to use ROA because ROA is a profitability ratio used to measure the effectiveness of the company in generating profits by utilizing its assets.

Data analysis is the process of simplifying data into a form that is easy to read and interpret. In processing and analyzing data used quantitative descriptive analysis. Quantitative analysis involves processing data using formulas that can be applied to analyze data .

Independent variables or independent variables are variables that explain and influence the dependent variable. Independent variables in this study are first, leverage (X1), leverage variable is calculated from total debt divided by total assets, obtained from the company's financial statements for the 2012-2014 research year. Financial reports are downloaded from www.idx.co.id. Second, financial stability (X2), is a variable developed from the three components of triangle fraud. The three components of fraud triangle are: (1) pressure; (2) opportunity; (3) and rationalization cannot be examined directly, therefore variables with certain proxies are needed to measure them (Skousen et al., 2009). Variable financial stability pressure which is proxied by the

ratio of change in total assets (ACHANGE), financial targets variable that is proxied by Return On Assets (ROA). Financial stability is a condition that describes the company's financial condition in a stable condition.

$$\text{ACHANGE} = \frac{(\text{Total Aset}_t - \text{Total Aset}_{t-1})}{\text{Total Aset}_t}$$

Third, financial targets (X3). In carrying out its activities, the company will target the amount of profit that must be obtained for the business issued to get the profit, this condition is called financial targets. One measurement to assess the level of profit obtained by the company for the effort spent is to use ROA because ROA is a profitability ratio used to measure the effectiveness of the company in generating profits by utilizing its assets.

$$\text{ROA} = \frac{\text{Net Income before extraordinary items}_{t-1}}{\text{Total Asset}_t}$$

The dependent variable is a variable that is influenced or which is a result of the existence of independent variables. Profit management proxies through this approach are abnormal CFO, abnormal discretionary expenses, and abnormal production costs. Abnormal CFO (Abnormal Operating Cash Flow). Real activity starts can be detected through operating cash flows using abnormal operating cash flows (ABN_CFO). Abnormal operating cash flows obtained from the difference in actual operating cash flow values scaled by total assets one year before testing are reduced by the cash flows of normal operating activities which are calculated using the estimated coefficients of the regression equation model as follows:

$$\text{CFO}_t / \text{At}_{-1} = \alpha_0 + \alpha_1 (1 / \text{At}_{-1}) + \alpha_2 (\text{St} / \text{At}_{-1}) + \alpha_3 (\Delta\text{St} / \text{At}_{-1}) + \text{et}$$

Information:

- CFO_t = company's operating cash flow i in year t
- At-1 = total assets of company i in year t-1
- St = total sales of company i in year t-1
- ΔSt = change in company sales from the end of the year t
- t-1 a₀ = constant.
- et = error term in year t

Abnormal Discretionary Expenses (Abnormal Discretionary Costs). The start of real activity can be detected through discretionary fees using abnormal discretionary fees (ABN_DISEXP). Abnormal discretionary costs obtained from the difference in the value of actual discretionary costs scaled by total assets one year before testing are reduced by normal discretionary costs calculated using the estimated coefficient of the regression equation model as follows:

$$\text{DISEXP}_t / \text{At}_{-1} = \alpha_0 + \alpha_1 (1 / \text{At}_{-1}) + \beta (\text{St} / \text{At}_{-1}) + \text{et}$$

Information:

- DISEXP_t = discretionary cost in year t
- At-1 = total assets in year t-1
- St = sales in year t
- a₀ = constant
- et = error term in year

Abnormal Production Cost (Abnormal Production Cost). Real activity starts can be detected through production costs using abnormal production costs (ABN_PROD). Abnormal production costs are obtained from the difference in the value of actual production costs scaled by total assets one year before testing minus normal production costs which are calculated using the estimated coefficient of the regression equation model as follows:

$$\text{PROD}_t / \text{At}_{-1} = \alpha_0 + \alpha_1 (1 / \text{At}_{-1}) + \beta_1 (\text{St} / \text{At}_{-1}) + \beta_2 (\Delta\text{St} / \text{At}_{-1}) + \beta_3 (\Delta\text{St}_{-1} / \text{At}_{-1}) + \text{et}$$

Information:

- PROD_t = production costs in year t, namely: cost of goods sold + change in inventory
- At-1 = total assets in year t-1
- St = sales in year t
- ΔSt = sales at year t minus sales at year t-1
- ΔSt-1 = change in sales in year t-1
- a₀ = constant
- et = error term in year

After the value of each proxy is obtained, then the abnormal operating cash flow, abnormal discretionary costs, and abnormal production costs are summed to be able to capture the overall effect of earnings management through real activity manipulation (MAR). in addition to equalizing the direction between each proxy, abnormal operating cash flows and abnormal discretionary costs are multiplied by minus one (-1) before adding up.

$$\text{MAR} = (\text{ABN_CFO} (-1)) + (\text{ABN_DISEXP} (-1)) + (\text{ABN_PROD})$$

In this study using one proxy is to use Abnormal CFO (Y1) as the dependent variable.

The population in this study were all manufacturing companies listed on the Stock Exchange in the period 2012-2014 totaling 134 companies consisting of three sub-sectors, namely the consumer goods industry, various industries, and basic and chemical industries. The sampling technique in this study was purposive sampling technique, where data was selected based on certain criteria that were in accordance with the research objectives. The sample criteria are as follows:

- Manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2012-2014.
- Manufacturing companies that publish financial reports and annual reports (annual reports) during the 2012-2014 period
- Published financial statements use rupiah units in their presentation.
- The company discloses information about the Auditor used in the company's financial statements or annual reports in the 2012-2014 period.

The data collection method used in this study is the documentation method that is carried out by collecting secondary data in the form of financial reports and annual reports of manufacturing companies listed on the Indonesia Stock Exchange for the period 2012-2014. The data needed in this study are as follows:

- Financial statements of manufacturing companies registered in the period 2012-2014.
- Auditor information used in manufacturing companies listed on the Indonesia Stock Exchange for the period 2012-2014.
- Information on financial ratios for invoices registered on the IDX for the period 2012-2014.

RESEARCH RESULTS AND DISCUSSION

The population used in this study is manufacturing sector companies listed on the Indonesia Stock Exchange (IDX). Samples were taken using the purposive sampling method. Based on the sample criteria, obtained a sample of 20 companies per year used for the period 2012 to 2014 so that the total sample used in this study were 60 samples.

Table 1: Research Samples

CRITERIA	Total
Manufacturing companies listed on the Indonesia Stock Exchange in 2014	134
companies that inconsistently publish laps. finance for the period 2012-2014	(27)
Companies that do not issue financial statements, financial statements not in rupiah and the financial reporting period does not end on December 31 during the 2012-2014 period	(19)
Companies with incomplete data in accordance with what is needed in research	(68)
Number of research samples in a year	20
Total total sample for 3 years (20 samples x 3 years)	60

Data Source: IDX Data for 2012-2014

The name of the company sampled in this study can be seen in full in table 5.2 as follows

Table 2: Company List

No	Kode Efek	Company Names	No	Kode Efek	Company Names
1	ALMI	PT. Alumindo Light Metal Ind Tbk	11	JPRS	PT. Jaya Pari Steel Tbk
2	ASII	PT. Astra International Tbk	12	KBLM	PT. Kabelindo Murni Tbk
3	AUTO	PT. Astra Autopart Tbk	13	KICI	PT. Kedaung Indah Can Tbk
4	BRNA	PT. Berlian Tbk	14	LMPI	PT. Langgeng Makmur Industri Tbk
5	BTON	PT. Betonjaya Manunggal	15	PICO	PT. Pelangi Indah Canindo
6	GGRM	PT. Gudang Garam Tbk	16	PRAS	PT. Prima Alloy Steel Universal Tbk
7	GJTL	PT. Gajah Tunggal Tbk	17	PYFA	PT. Pyridam Farma Tbk
8	HDTX	PT. Pania Indonesia Syntec Tbk	18	TCID	PT. Mandom Indonesia Tbk
9	INDF	PT. Indofood Sukses Makmur Tbk	19	ULTJ	PT. Ultrajaya Milk Industry & Trading co
10	JKSW	PT. Jakarta Kyoci Steel Works Tbk	20	YPAS	PT. Yanaprima Hasta Persada Tbk

This research was conducted at manufacturing companies listed on the Indonesia Stock Exchange with the 2012-2014 Report period where by processing the results of financial ratios and financial performance conditions by detecting the potential of fraud carried out by companies in seeking to benefit in a manner that is not in accordance with procedures and applicable accounting standards.

The financial ratios and measurements used are using Leverage, Financial Stability and Financial Target analysis. Leverage analysis is used to find out, if a high level of debt can increase the probability of fraudulent financial statements because of the transfer of risk from the owners of capital and managers to creditors (lenders) (Spathis, 2002: 184). Management can manipulate financial statements to fulfill debt agreements. The next variable uses financial stability, where the company is in a threatened condition, then management will do various ways so that the financial stability of the company is in good condition. While the Financial Target variable is used to find out the company has the potential to commit fraud if the company does not reach its financial performance targets. One measurement to assess the level of profit obtained by the company for the effort spent is to use ROA because ROA is a profitability ratio used to measure the effectiveness of the company in generating profits by utilizing its assets.

Before making an interpretation of the regression results, first test the classical assumptions so that the results are worthy of use. This test is needed so that the regression model becomes a more representative model. Analysis of classical assumption test data in this study include the tests of normality, multicollinearity, autocorrelation and heteroscedasticity.

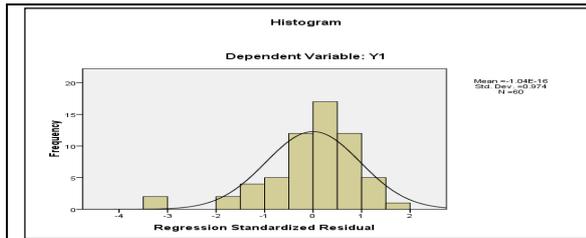


Figure 1: Histogram

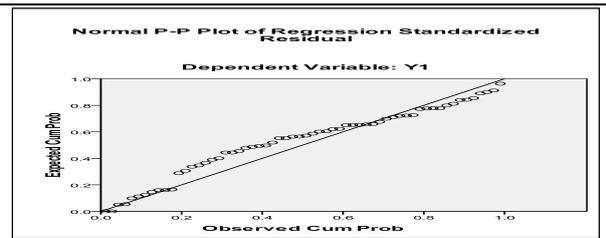


Figure 2: Normal P-Plot

By looking at the display on the histogram graph in figure 3 gives a distribution pattern that is close to normal, while in Figure 3 a normal probability plot graph shows points spread around the diagonal line and spreads in the direction of the diagonal line. Then it can be concluded that the regression model in this study has met the assumption of normality. The full results of testing the classical multicollinearity assumptions can be seen in table below.

Tabel 3: Tabel VIF (Variance Inflation Factor)

Model	Collinearity Statistics	
	Tolerance	VIF
X1	.671	1.490
X2	.999	1.001
X3	.671	1.490

From table 3. above shows that all independent variables have a tolerance value greater than 0.10 which means there is no correlation between independent variables whose value is more than 95%. The results of the calculation of the Variance Inflation Factor (VIF) value also show the same thing that all independent variables have a VIF value smaller than 10. Then it can be concluded that the regression model in this study has been free from the problem of multicollinearity.

Tabel 4: Table R Square

Model	R	R Square	Adjusted R Square
1	.524 ^a	.275	.236

From the table above shows that the adjusted R square value of 0.275 means that only 27.5% of the dependent variation is real asset manipulation which can be explained by the independent variable leverage, financial stability, and financial target in this study.

Testing the hypothesis in this study using simple linear regression analysis and multiple linear regression analysis. Simple linear regression analysis techniques are used to test the first hypothesis. This is done to determine the effect of the independent variables on the dependent variable partially. This aims to determine the effect of independent variables in the form of leverage on the management of the dependent variable. The analysis technique was carried out using the SPSS version 22 program.

The F statistical test in this study was conducted by looking at the significance value (sig) in the ANOVA test. Learn more about the results of the statistical test F of this study in the following table.

Tabel 5: Table Uji F

ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.529	3	.176	7.064	.000 ^a
	Residual	1.399	56	.025		
	Total	1.929	59			

a. Predictors: (Constant), X3, X2, X1

b. Dependent Variable: Y1

From the table above shows the F value of 7.064 with a significance value of 0.000. This indicates that the regression model can be used to predict fraudulent financial statements because the significance value is smaller than 0.05 (sig <5%). Then it can be concluded that Ha3 is accepted which shows that there is a significant influence between leverage, audit quality has an effect on jointly or simultaneously on manipulation of real assets by using abnormal cash flows.

The t statistical test aims to find out how far the influence of the independent variables individually (partial), namely leverage, audit quality, in explaining the dependent variable is Abnormal Cash Flow. The regression model in this study was tested by looking at the sig values found in the following table.

Based on the results of the statistical test t in table 6 above, the regression equation is obtained as follows: $Abn.CFO = -0.084 + 0.048 X1 - 0.289 X2 + 1,903X3 + \varepsilon$

From the regression equation above, it is known that the constants of - 0.084 state that if the independent variable consists of leverage (LEV), Financial Stability and Financial Target then the Abnormal cash flow average is 0.084. Leverage variables (LEV) have a positive regression coefficient, while the Financial Stability variable is negative, Financial Targets are positive. This means that companies with high levels of leverage (LEV) do not cause real asset manipulation. A low Financial Stability Company will lead to manipulation of Real Profit Management or Real Activity Manipulation, and a company with a high Financial Target will cause Real Profit Management. The results of testing the partial significance of independent variables in the following discussion:

Table 6: Uji t

Model		Unstandardized Coefficients		Standardized coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.084	.053		-1.579	.120
	X1	.048	.052	.129	.927	.358
	X2	-.289	.110	-.299	-2.630	.011
	X3	1.903	.531	.498	3.581	.001

Testing the hypothesis about the use of leverage in Real activity manipulation shows a regression coefficient of 0.048 and a calculated t value of 0.927 with a significance value of 0.129 which is above 0.05. So that the use of leverage to make profit management through Real Activity Manipulation using Abnormal Cash Flow is not effective. The results of this study are in line with the results of the study by Welfin I Guna and Arleen Herawaty (2010), which shows that leverage has a negative and significant effect. However, the results of this study are incompatible with Chin et al. (2009) also found that there was a positive effect of leverage on earnings management. Other studies conducted by Dichev and Skinner (2002), Jaggi and Lee (2002) and Othman and Zhegal (2006) also found a positive relationship between debt and earnings management through real asset manipulation.

Testing the hypothesis regarding the use of Financial Stability in Real activity manipulation shows a regression coefficient of - 0.289 and a value of t count of 3.581 with a significance value of 0.001 which is below 0.05. This means that Financial Stability has a significant influence on Real asset manipulation. Thus the two alternative hypothesis which states that Financial Stability is to make profit management through Real Activity Manipulation using Abnormal Effective Cash Flow.

Testing the hypothesis regarding the use of Financial Targets in Real activity manipulation shows a regression coefficient of 1.903 and a calculated t value of -2.630 with a significance value of 0.11 which is below 0.05. This means that Financial Target has an influence on real earnings management. Thus the three alternative hypothesis which states that Financial Target has a significant influence on fraudulent financial statements, accept. So that the use of Financial Targets to make profit management through Real Activity Manipulation using Abnormal Effective Cash Flow.

Testing the hypothesis regarding the use of Leverage, Financial Stability and Financial variables The target effect on Earnings management through Real Activity Manipulation shows the calculated f value of 7, 064 with a significance value of 0,000 which

is below 0.05. This means that Leverage, Financial Stability and Financial Targets have a significant influence on earnings management through real activity manipulation.

CONCLUSIONS AND SUGGESTIONS

From the results of data processing using descriptive analysis using Leverage, Financial Stability and Financial Targets, the following conclusions are obtained:

- a. Financial Stability and Financial Targets have an influence on Real Earnings management, while Leverage variables have no influence on Real Earnings Management
- b. By Using Leverage, Financial Stability and Financial Target variables Simultaneously influences the Profit Rill Management.
- c. Measuring instruments on the variables used in this study are only a small part used to detect Real Profit management, there are still many other variables or factors that can be used to detect Real Profit Management, such as company size, audit quality and others.

With the conclusions obtained, then some suggestions submitted to improve the accuracy of the auditor and management and also for the results of subsequent research are as follows:

- a. It is expected for management to be careful and reduce fraudulent financial reporting, because it will have an impact on the sustainability of the company's operations.
- b. For company management to keep its financial reporting reported in accordance with applicable standards.
- c. Auditors can use other variables to find and detect potential fraudulent financial reporting.

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