THE INFLUENCE OF EARNING MANAGEMENT TO FIRM VALUE IN INDONESIA MANUFACTURING COMPANIES

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Firm value is one of the indicators in determining whether the company is in health state and deserves to invest in it. This makes the manager to act appropriately by performing earnings management practices to increase the firm value but with the implementation of GCG it is expected to reduce the earnings management practices. This study aimed to examine the effect of GCG mechanisms (independent commissioner, managerial ownership, institutional ownership, and audit quality) as moderating variables in the relationship between earnings management and firm value. The object in this study is a manufacturing company listed in Indonesia Stock Exchange period in 2010-2014. This study uses purposive sampling method so that 31 companies were obtained as study sample. Data used in this study are secondary which are financial statement and annual report. Data analysis in this study uses multiple linear regression analysis and Moderated Regression Analysis with SPSS 21. The results show that GCG mechanisms which can be moderating variable between earnings management and firm value are independent commissioner and audit qualities whereas managerial ownership and institutional ownership cannot moderate the relationship between earnings management and firm value.
Keywords: *audit quality, earnings management, firm value, independent commissioner, institutional ownership, managerial ownership.*

Valoarea companiei reprezintă unul dintre indicatorii care demonstrează dacă compania se află într-o stare bună și se merită de a investi în aceasta. Acest fapt determină managerul să acționeze oportun prin efectuarea unor practici de gestionare a veniturilor pentru a crește valoarea firmelor, dar odată cu implementarea GCE este de așteptat să se reducă practicile de gestionare a veniturilor. Acest studiu are scopul de a examina efectul mecanismelor GCE (comisar independent, proprietate managerială, proprietate instituțională și calitatea auditului) ca variabile moderatoare în relația dintre managementul veniturilor și valoarea firmei. Obiectul cercetării este o companie de producție înregistrată la bursa de valori din Indonezia în perioada 2010-2014. Studiul dat se bazează pe metoda eșantionării, astfel încât au fost selectate 31 de companii în calitate de model de studiu. Printre datele utilizate sunt: situația financiară și raportul anual. Pentru analiza datelor au fost utilizate regresie liniară și analiza de regresie moderată în SPSS 21. Rezultatele arată că mecanismele GCE, ce pot acționa ca variabilă moderatoare între managementul veniturilor și valoarea firmei, prezintă calități de gestiune și audit independente, în timp ce proprietatea managerială și cea instituțională nu pot tempera relația dintre managementul veniturilor și valoarea companiei.
Cuvinte-cheie: *calitatea auditului, managementul veniturilor, valoarea firmei, comisar independent, proprietatea instituțională, proprietatea managerială.*

Значение компании является одним из показателей для определения того, находится ли компания в хорошем состоянии и стоит инвестировать в нее. Это приводит к тому, что менеджер действует своевременно, путем проведения практики управления доходами для увеличения стоимости компаний, но с внедрением ЭКУ ожидается сокращение практики управления доходами. Это исследование изучает влияние механизмов ЭКУ (независимый комиссар, управленческая собственность, институциональная собственность и качество аудита) как умеренные переменные между управлением доходами и стоимостью фирмы. Объектом данного исследования является производственная компания, зарегистрированная на индонезийской фондовой бирже в 2010-2014 гг. В этом исследовании используется целенаправленный метод

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выборки, на основе которого были отобраны 31 компании в качестве объектов исследования. Для анализа были использованы вторичные данные, такие как финансовое положение и годовой отчет, а также множественная линейная регрессия и модерированный регрессионный анализ в SPSS 21. Результаты показывают, что механизмы ЭКУ как умеренные переменные между управлением доходами и стоимостью компании, являются независимыми качествами упраления и аудита, тогда как управленческая и институциональная собственность не могут умерить взаимосвязь между управлением доходами и стоимостью фирмы.

Ключевые слова: *качество аудита, управление доходами, стоимость компании, независимый комиссар, управленческая собственность, институциональная собственность.*

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Introduction. Economic growth in a country can be seen from the point of view of the development of business, as does the industrial sector which is a major component of economic development in Indonesia and the manufacturing sector remains as the leading sector contributing most to the growth of the Indonesian economy. This is because manufacturing sectors in Indonesia have important role to the national Gross Domestic Product (GDP). Therefore, the economic cycle in Indonesia is inseparable from the dynamics of the manufacturing sector [1]. Data about the growth of Manufacturing Industry GDP from year to year and its contribution to national GDP is shown in Table 1.

To keep growing, company needs additional funds from external parties in order to thrive continuously and survive in business. This creates the competition between companies in attracting investors by showing them the performance of companies through increasing the firm value. This is because firm value is one of indicators in determining whether a company is a healthy one and deserves to be a place to invest [2]. Maximizing the firm value is very important because it means increasing shareholder wealth and this represents the main goal of the company. Firm value is reflected by stock price; the high stock price creates a high firm value and has an impact on market confidence in the current company performance and expectation in the future.

Table 1

The Growth of Manufacturing Industry GDP without Oil and Gas and the Contribution to National GDP at Constant Price (y-o-y)

Description	**2011**	**2012**	**2013**	**2014**
	(%)			
National GDP	6.17	6.03	5.58	5.02
Manufacturing Industry GDP	6.26	5.62	4.49	4.63
Manufacturing Industry Contributions	**21.76**	**21.45**	**20.98**	**21.02**

Source: The Catalog of Manufacturing Industry Productions Growth Index, 2015.

In the process of maximizing the firm value, a conflict of interest between the manager (agent) and shareholders (principal) may occur, because companies that already go public make separation of functions between the ownership functions and management functions. Agents prefer the personal interests which are in contradiction with the main purpose of the company and often ignore the interests of the principal. The difference of this interest is called agency conflict and this will triggered the problem of earnings management. Earnings management practice is conducted by managers because of the opportunities that arise from the information asymmetry where company's management has more valid information than the shareholders about the company.

Agency theory provides a view that earnings management practices that have an impact on the descent of firm value can be minimized by the presence of a supervisory or monitoring mechanism, namely through the implementation of corporate governance. Corporate governance is a concept aimed to improve corporate performance through monitoring the performance of management and ensure the accountability of management to stakeholders. If this concept is applied properly and becomes a culture for the company, it is expected that economic growth will continue to increase along with the transparency of the management of the company is getting better so as to increase the firm value.

Company should view corporate governance as an opportunity rather than an obligation and pure cost factor [3]. Corporate governance can moderate the relationship between earnings management and firm value through institutional ownership, managerial ownership, and the classification of the Public

Accounting Firm. Institutional ownership is able to provide feedback to improve the management of profits by the company and with the existence of managerial ownership can limit the opportunistic behavior of managers in the form of earnings management while the size of the public accountant firm prove that the Big 4 has more quality in detecting earnings management in a company [4].

Related with the description above, the following research problems can be formulated in this study i.e. "Does good corporate governance mechanism which consists of independent commissioner, managerial ownership, institutional ownership, and audit quality can moderate the relationship of earnings management on firm value?" Meanwhile, the objective of this study is to examine the effect of Good Corporate Governance (GCG) mechanisms, seen from independent commissioner, managerial ownership, institutional ownership, and audit quality to moderate the relationship of earnings management on the firm value.

Literature review

Firm value is one of the company's goals in addition to earn profit and going concern. The firm value becomes one of the determinant of a company and it determines which company is a healthy one and deserves to be a place to invest. Firm value can provide maximum shareholder wealth if the stock price increased. The higher the stock price is it will result in the increase of the shareholder's wealth. To reach the general firm value investors handed over their management to the professionals which are positioned as a manager or commissioner [5]. Therefore, managers try to find a way through the selection of accounting methods to increase the firm value in order to attract potential investors to invest. One of the ways is by doing earnings management practices.

Earnings management is the potential use of the accrual of management with the goal of personal gain [6] and it is regarded as the behavior of managers to tinkering with the discretionary accrual components to determine the size of profits by utilizing a variety of alternative methods in accounting standards [7]. Earnings management is an agency problem triggered by the differences of interest between principal and agent as well as the problem of information asymmetry between principal and agent. The agency relationship arises from the contract that is set amongst the two parties, namely the party who is delegating the work is referred to as the principal and the party who is receiving the delegating work is referred to as the agent. With the separation of ownership and management functions, it will be susceptible to an agency conflict between owners and managers. Conflicts of interest between the owner and the agent occur due to the possibility of agents that do not always act in accordance with the interests of the principal, thus triggering the agency costs [8].

In managing the company, managers have more internal information about the company and its future prospects than the shareholders. This can lead to asymmetry of information because of the condition of information asymmetry between managers of companies and shareholders. More information that is owned by managers can trigger the emergence of actions in accordance with the wishes and their interests in maximizing its utility. At the same time, for the owner of the company (shareholders) it will be difficult to effectively control the actions that are performed by manager because they only have a few information. Therefore, managers can create particular policies without the knowledge of the owner of the company [9]. Therefore, it is necessary the implementation of a good corporate governance in the company's management and control system to suppress the practice of earnings management performed by the manager.

Companies with GCG practices are likely to reduce earnings management [10]. GCG implementation is important in assessing a company. The implementation of GCG is the key to increasing the firm value even though not directly, but by implementation of GCG proves that it can reduce earnings management practices conducted by an accountant. Corporate governance is a system that regulates and controls the company that is expected to increase the firm value. Therefore, the implementation of corporate governance in the company will restrict earnings management due to the control in the company [11]. The implementation of GCG mechanisms in company can be done through independent commissioner, managerial ownership, institutional ownership, and audit quality.

Independent Commissioner

GCG mechanism through the independent commissioner has a negative effect on earnings management. This means that the companies that have a proportion of board members who come from outside the company or outside director could affect earnings management practices. If the commissioners from outside increase monitoring action, it will lead to increasingly lower earnings management practices [12]. Independent commissioners have an influence on performance management in order to maximize their performance with a more effective monitoring. Independent commissioner is also a mediator between management and shareholders so that the agency conflict that could reduce the firm value can be overcome. Independency owned creates an independent commissioner that

is not easily influenced by the business relationship or other relationship that could affect its ability to make decisions in the interests of the company [13].

Managerial Ownership. The difference of interests between managers and shareholders as owners can be harmonized if the managers also have part of ownership in the company in order to achieve the unification of interests. The interests of managers with external shareholders can be put together if shares ownership by managers are enlarged, so that the manager is not going to manipulate earnings to its interests [8]. Managerial ownership has a significant negative effect on earnings management [14]. Managerial ownership in the company will further reduce the occurrence of earnings management in the company. The previous study shows that managerial ownership is able to become a corporate governance mechanism that can reduce the unconformity between the interests of management with the owners or shareholders [12]. Managerial ownership is a moderating variable between earnings management and the firm value that became one of the mechanisms that can limit the opportunistic behavior of managers in the form of earnings management [4].

Institutional Ownership. Fraud action on the financial statements could be reduced in the presence of monitor or control function by investors; institutional investors are believed to be able to monitor the actions of managers better when compared to individual investors. High institutional ownership plays a role in reducing earnings management. This means the greater institutional ownership is, then the greater the power of the voice and the encouragement of financial institutions to oversee the management is. In other words, the greater the percentage of institutional ownership is, the smaller the earnings management actions undertaken by manager is, because managers feel that their performance is monitored by the institutions [15]. Institutional ownership can become a significant moderator variable. This shows that the feedback effect of institutional ownership can increase earnings management by the company [4]. The ownership of shares held by institutional parties can weaken the effect of earnings management on the firm value. Institutional parties can control the company more closely so that earning management actions performed by the manager can be reduced. The higher the level of institutional ownership is, the stronger degree of control is carried out by external parties to the company so that the agency cost which occurred in the company on the wane increase the firm value [16].

Audit Quality. The size of the accounting firm (Big 4) has a negative influence on the absolute discretionary accruals. The results also found that, although the firm has a level of economic dependence on the client, it can still maintain its reputation (reputation protection), as evidenced by the negative effects of economic dependence (client importance) to the absolute discretionary accruals [17]. The classification of public accounting firms as a moderating variable has significant effect so this indicates that the classification of public accounting firms can be a moderating variable in the relationship of earnings management and firm value. This proves that the Big 4 firms are more qualified in detecting earnings management in a company [4].

Conceptual Framework and Hypotheses Formulation

Based on the literature review and previous studies above, the conceptual framework in this study can be seen in Figure 1.

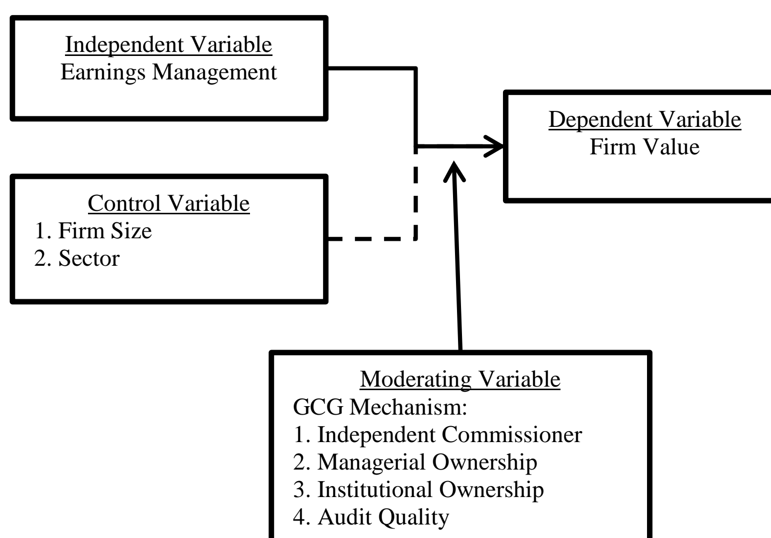

Figure 1. Conceptual Framework

Source: Developed by the author.

From the conceptual framework, the hypothesis in this study can be formulated as follows:

H_1: Independent commissioner can moderate the relationship between earnings management and firm value.

H_2: Managerial ownership can moderate the relationship between earnings management and firm value.

H_3: Institutional ownership can moderate the relationship between earnings management and firm value.

H_4: Audit quality can moderate the relationship between earnings management and firm value.

RESEARCH METHODOLOGY

Dependent Variable

The dependent variable in this study is firm value that is measured by Tobin's Q. The following equation represents the calculation formula of Tobin's Q:

$$Q = \frac{(EMV + D)}{(EBV + D)}$$

Description:

Q : Firm Value

EMV : Equity Market Value, obtained from multiplying the closing share price of the end of the year with the number of shares outstanding at the end of the year.

EBV : Equity Book Value, obtained from the difference between total assets and total liabilities of the company.

D : Book value of the total debt.

Dependent Variable

The independent variable in this study is Earnings Management (EM) which proxied by Discretionary Accruals using modified Jones model [18] with the following steps:

$$TACC_{it} = NI_{it} - CFO_{it} \quad (1)$$

$$TACC_{it}/TA_{i.t-1} = \beta_1 (1/TA_{i.t-1}) + \beta_2 ((\Delta REV_{it} - \Delta REC_{it})/TA_{i.t-1}) + \beta_3 (PPE_{it}/TA_{i.t-1}) \quad (2)$$

From the regression equation (2), Nondiscretionary Accruals (NDACC) can be calculated by reinserting the β coefficients.

$$NDACC_{it} = \beta_1 (1/TA_{i.t-1}) + \beta_2 ((\Delta REV_{it} - \Delta REC_{it})/TA_{i.t-1}) + \beta_3 (PPE_{it}/TA_{i.t-1}) \quad (3)$$

$$DACC_{it} = TACC_{it}/TA_{i.t-1} - NDACC_{it}$$

Description:

$DACC_{it}$:Discretionary Accruals of firms i in period t

$NDACC_{it}$: Nondiscretionary Accruals of firms i in period t

$TACC_{it}$:Total Accruals of firms i in period t

NI_{it} : Net Income of firms i in period t

CFO_{it} : Operating Cash Flow of firms i in period t

$TA_{i.t-1}$:Total Assets of firms i in period t-1

ΔREV_{it} : Revenue changes of firms i in period t minus revenue year t-1

ΔREC_{it} : Receivable change of firms i in period t minus account year t-1

PPE_{it} :The value of fixed assets of firms i in period t

$\beta_1, \beta_2, \beta_3$: Regression coefficient

Moderating Variables

Moderating variable is variable that has strong dependence influence (contingent effect) with the relationship between dependent variable and independent variable. The moderating variable in this study as follows:

1. Independent Commissioner (IC); calculated by the percentage of the total number of independent commissioner with the total board of commissioner member.
2. Managerial Ownership (MO); the percentage of shares held by the management of the entire amount of the outstanding capital stock.
3. Institutional Ownership (IO); the percentage of shares owned by the institutions of the total outstanding capital stock.

4. Audit Quality (AQ); measured by a dummy variable. If the companies have been audited by Big 4 Firm, then the value is 1 whereas if the companies have been audited by Non Big 4 Firm then the value is 0.

Control Variables

Control variable used in this study are the firm size and type of manufacturing company.

1. Firm size (SIZE); measured using the natural logarithm of the equity market value of the company at the end of the year that is the number of outstanding shares at the end of year multiplied by the stock market prices at the end of year.
2. Type of manufacturing company (SECTOR); measured by granting the code in the form of categories which is expressed in numbers. Basic Industry and Chemicals Sector = 1; Miscellaneous Industry Sector = 2; and Consumer Goods Industry Sector = 3.

Population and Sampling Method

This study used secondary data, namely annual report and financial statements obtained from Indonesia Stock Exchange website (www.idx.co.id). The population in this study is represented by manufacturing companies listed in Indonesia Stock Exchange period 2010-2014. The determination of the sample is conducted by the purposive sampling method, with the following criteria:

1. Manufacturing companies listed at Indonesia Stock Exchange in 2010, 2011, 2012, 2013, and 2014;
2. Manufacturing companies that publish annual reports, which ended on December 31, consistently during the study period in 2010, 2011, 2012, 2013, and 2014;
3. Manufacturing companies that present financial statements in Rupiah (IDR) consistently during the study period in 2010, 2011, 2012, 2013, and 2014;
4. Manufacturing companies that have data about the corporate governance mechanism and complete financial data related in this study during the study period in 2010, 2011, 2012, 2013, and 2014.

Based on these criteria, the sample in this study consisted of 31 companies with a five-year study period so that the total observations in this study accounted for 155.

Data Analysis Method

The used analysis method is multiple regression analysis and MRA (Moderated Regression Analysis) with SPSS 21 at significance level $\alpha = 0.05$. Based on the hypotheses development, the multiple regression models are the following:

$Q_{it} = \alpha_0 + \alpha_1 EM + \alpha_2 IC + \alpha_3 EM.IC + \alpha_4 SIZE + \alpha_5 SECTOR + e$...........Regression Model I

$Q_{it} = \alpha_0 + \alpha_1 EM + \alpha_2 MO + \alpha_3 EM.MO + \alpha_4 SIZE + \alpha_5 SECTOR + e$..... Regression Model II

$Q_{it} = \alpha_0 + \alpha_1 EM + \alpha_2 IO + \alpha_3 EM.IO + \alpha_4 SIZE + \alpha_5 SECTOR + e$..........Regression Model III

$Q_{it} = \alpha_0 + \alpha_1 EM + \alpha_2 AQ + \alpha_3 EM.AQ + \alpha_4 SIZE + \alpha_5 SECTOR + e$.......Regression Model IV

Discussion

The test results of multiple linear regressions in Table 2 show that the results that have met the classical assumptions test and data are normally distributed with number of samples that decreased to 121 observations. The simultaneous significance (F Test) results of four regression models shows that the four regression models have significance value less than 0.05. This means that the regression model can be used to predict the firm value or it can be said that the independent variables in the regression model together affect the firm value. Thus, the four regression models equation is fit or fit for use.

Meanwhile, the results of partial analysis by using t-test showed that the hypothesis 1 (H_1) in regression model I about the effect of independent commissioner to the relationship between earnings management and firm value is accepted, which means that the independent commissioner is a moderating variable between the relationship of earnings management and firm value. This can be seen from the independent commissioner who has a coefficient value of -1.903 with significance level of 0.018 ($p < 0.05$). It indicates that the independent commissioner can moderate the relationship between earnings management and firm value. In other words, independent commissioner could weaken the relationship between earnings management and firm value.

Table 2

Multiple Linear Regression Testing Results

Variables	Regression Model I		Regression Model II		Regression Model III		Regression Model IV	
	Unstandardized Coefficients	Sig.	Unstandardized Coefficients	Sig.	Unstandardized Coefficients	Sig.	Unstandardized Coefficients	Sig.
(Constant)	-4.081	0.000	-3.761	0.000	-3.874	0.000	-4.866	0.000
LnEM	-0.033	0.351	-0.052	0.112	-0.033	0.354	-0.036	0.275
LnIC	-0.236	0.101						
LnMO			0.004	0.721				
LnIO					0.031	0.776		
AQ							0.003	0.965
SIZE	0.149	0.000	0.141	0.000	0.148	0.000	0.185	0.000
SECTOR	-0.019	0.555	-0.014	0.673	-0.022	0.51	-0.033	0.295
EM.IC	-1.903	0.018						
EM.MO			-8.002	0.077				
EM.IO					-0.793	0.061		
EM.AQ							-1.958	0.001
N	121		121		121		121	
F	21.001		18.752		18.938		27.185	
Sig. F	0.000		0.000		0.000		0.000	
Adj R2	0.455		0.425		0.428		0.522	

Source: Secondary data processed, 2016.

This result is consistent with research conducted by [19] which states that earnings management can be minimized with the monitoring mechanism by an independent commissioner who can reconcile the differences of interests between the owners and the management. This shows that companies in the sample are using independent commissioner as a corporate governance mechanism in reducing earnings management that will have an impact on the increasing the firm value. With the existence of an independent commissioner on the board of commissioners will make managers be more careful in deciding policies that will be conducted by the company, because the manager feels being watched by an independent commissioner. The existence of a competent independent commissioner is able to perform its oversight functions more effectively in preventing the occurrence of any forms of deviation to the financial statements made by the manager. Thus, the deviation such as earnings management practices that are performed will be reduced, so that the quality of financial statements will be increased, thus it makes potential investors to be interested to invest and the firm value will be increased so that the welfare of the owners will also increase.

Hypothesis 2 (H_2) in regression model II about the effect of managerial ownership on the relationship between earnings management and firm value is rejected which means that the managerial ownership is not a moderating variable between the relationship of earnings management and firm value. This can be seen from the managerial ownership coefficient, which has a value of -8.002 with significance level of 0.077 ($p > 0.05$). It indicates that the managerial ownership could not moderate the relationship between earnings management and firm value. The results of this study are consistent with results of research conducted by [19]; [16]; [20] which prove that managerial ownership is not as the moderating variables. The role of managerial ownership is not yet significant in minimizing the management actions in manipulating earnings [19]. This shows that the companies in the study sample did not use the managerial ownership in an effort to reduce earnings management to increase the firm value. The absence of a significant effect of managerial ownership on firm value due to the number of managerial ownership in the company sample is still small so that the manager who owns shares in the company where he works does not feel he has or does not feell himself as the owner of the company yet, but just feels as the manager only so that the manager who owns shares in the company under

his management still acts like a pure manager (who does not own shares) and has his own interests like as a manager of the company.

This is also possible due to their orientation only to the incentive not to the firm value so that managers who own shares in the company that under their management still perform earnings management practice as done by a manager who does not own shares in the companies they manage. Managerial ownership is less contributed in controlling the action of earnings management that managerial ownership is not capable of being a corporate governance mechanism that can reduce the difference of interest conflict between the management and the owners [21]. Hypothesis 3 (H_3) in regression model III about the effect of institutional ownership to the relationship between earnings management and firm value is rejected which means that the institutional ownership is not a moderating variable between the relationship of earnings management and firm value. It can be seen from the coefficient of institutional ownership that has a value of -0.793 with significance level of 0.061 ($p > 0.05$). It indicates that the institutional ownership could not moderate the relationship between earnings management and firm value.

This result is consistent with research conducted by [20] which did not gave significant results in the interactions variable between earnings management and institutional ownership so it cannot be said that institutional ownership can moderate the relationship between earnings management and firm value. This shows that companies in the study sample did not use institutional ownership in an effort to reduce earnings management which will have an impact on the increasing the firm value. This is possible due to investors from institutions that have not been able to effectively oversee management performance. Level control conducted by institutional investors against the company is still low so it has not been able to improve the internal control of the company. This indicates that the persistence of earnings management practices is conducted by managers, although the institutional ownership is quite large.

Hypothesis 4 (H_4) in regression model IV about the effect of audit quality to the relationship between earnings management and firm value is accepted which means that the audit quality is a moderating variable between the relationship of earnings management and firm value. It can be seen from the coefficient of audit quality that has a value of -1.958 with significance level of 0.001 ($p < 0.05$).

This indicates that the audit quality can moderate the relationship between earnings management and firm value. The results of this study support the research conducted by [19] and [4] which states that audit quality is a moderating variable. The classification of accounting firm that is included in Big 4 firms more qualified in detecting earnings management in a company [4]. This shows that companies in the sample using audit quality in an effort to reduce earnings management will have an impact on the increasing firm value. Accounting firm that is included in the Big 4 firm will be maintaining the credibility and image as a qualified auditor so that the investigation on a company will be more accurate and conscientious. In addition, auditors play a role in providing opinions and assurances as to the truth of those numbers that was presented in the financial statements by management. Thus, the external auditors can minimize the possibility of earnings management actions that performed by the manager so that the firm value will increase.

Conclusion. Implementation of Good Corporate Governance in company is important for monitoring the performance of management and to ensure the accountability of management to stakeholders. The objective of this study was to examine whether there is significant effect of GCG mechanisms, which consist of independent commissioner, managerial ownership, institutional ownership, and audit quality to the relationship between earnings management and firm value in manufacturing companies of Indonesian Stock Exchange. The results in this study showed that Good Corporate Governance mechanisms can moderate the relationship between earnings management and firm value through the independent commissioner and audit quality. This indicates the presence of independent commissioner and audit quality of the use of Big 4 Firm as the company's external auditor may reduce earnings management actions performed by manager of company that will have an impact on the increased firm value.

Independent commissioner is able to perform its oversight functions more effectively while audit quality is able to investigate company accurately and provide assurances to the company's financial statements. Meanwhile, managerial ownership and institutional ownership are not moderating variables between the relationship of earnings management and firm value. This proves that the role of managerial ownership and institutional ownership as GCG mechanisms has not been significant in minimizing earnings management actions performed by the management.

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