

EARNINGS MANAGEMENT: ESOP AND CORPORATE GOVERNANCE

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ABSTRACT

The aim of this research is to provide empirical evidence about the influence of Employee Stock Ownership Programs (ESOP), information asymmetry, leverage, profitability, firm size, managerial ownership, institutional ownership, audit quality, and firm age on earnings management. Sample of this research are 87 non-financial companies listed in Indonesia Stock Exchange during the research period 2014 until 2016, thus totaled 261 data. Sample selection method used was purposive sampling. Data were analyzed using multiple regression analysis. The empirical evidence of this research indicated that ESOP, profitability, firm size, and firm age influence on earnings management. While, information asymmetry, leverage, managerial ownership, institutional ownership, and audit quality don't influence on earnings management. ESOP is attractive in Indonesia as a way to reduce agency problems between shareholders and managers. The purpose of ESOP is to create alignment of interests and mission of employees and executives with shareholders interest and mission. ESOP can be considered a long term incentives provided by the company to engage a sense of belonging by the employee to the company. This believed can increased the employee productivity and company performance.

Keywords: Earnings Management, Employee Stock Ownership Programs, Corporate Governance, Agency Problem.

INTRODUCTION

One of the most well-known assumptions in accounting is going concern. The going concern principle is the assumption that an entity will remain in business for the foreseeable future. In order to do this principle company should provide report of firm performance, in the form of information such as firm earnings the major attention to measure the firm performance. Earnings of a firm are often used by various stakeholders to make decisions regarding the firm, such as counting bonuses to managers, counting the taxable income, and also used as work assessment criteria of a firm (Nurdiniah and Herlina, 2015), which also is one of the factors used to assess the managers' performance.

Managers' main objective is to satisfy the stakeholders of the firm and more importantly, the investors. Thus they tend to do whatever they can do to achieve it. In the past days, people believed that the more income firm earns, the better the firm performance. It was only seen from how much the net profit a firm earned. Therefore, the managers did the best to gain more income without considering the other factors. But time has change, they see other factors besides the net income, or in other words, they see the financial statements using the financial statement analysis tools to predict the future of the firm. Investors nowadays will be more attracted to invest in firms that they think will give more return in the long term for them. It also changed the managers' strategies to manage earnings, which can make their financial statements look

“beautiful” and attractive enough for the investors. All the activities and strategies related to adjust earnings are often collectively called as earnings management.

There are many case of earnings management in Indonesia. One of them is PT Inovisi Infracom (INVS). In this case, The Indonesia Stock Exchange (IDX) found indications of misstatement in the INVS financial statements period September 2014. IDX asks INVS to revise the value of fixed assets, net income per shares, business segment reports, categories of financial instruments, and total liabilities in business segment information, among others. PT Inovisi Infracom also recognizes earnings per share based on current period earnings. This practice makes net earnings per share INVS looks bigger, when in fact, the company should use the profit current period attributable to the owner of the parent. This case resulted in delisted of INVS shares by IDX, means that INVS shares can no longer be traded in the capital market.

Managers' main purpose is to give result and satisfy the stakeholders of the firm, and they must do whatever they can do to achieve it. Now, investors change their view regarding firm earnings but they see the firm's performance that they invest their money to. They see other factors besides the net income, or in other words, they see the financial statements using the financial statement analysis tools to predict the future of the firm. Investors nowadays will be more attracted to invest in firms that they think will give more return to them. So managers will make their strategies to make a beautiful result of the financial statement that can satisfy the investors. All the activities and strategies related to adjust earnings are often collectively called as earnings management.

This research is the development of the research conducted by Wiyadi et al. (2015), and supported by several researches conducted by some researchers. The differences from previous researches are including several independent variables from other prior research. The study samples are all non-financial companies listed in Indonesia Stock Exchange (IDX) for the period of 2014-2016. The purpose of the research is to obtain empirical evidence about the ESOP, information asymmetry, leverage, profitability, firm size, managerial ownership, institutional ownership, audit quality, and firm age on earnings management. The results of this study is expected to provide an overview for the company about the practice of earnings management that many done by the management company, which indirectly can reduce the level of confidence users report to the financial statements presented by the management company.

The paper is systematically divided into 5 chapters. Introduction explains about the background and the motivation of the researcher in conducting the study about factors affecting the earnings management in non-financial corporation that listed in Indonesian Stock Exchange, as well as the development and differences between this research and the prior research. Literature review explains about theoretical framework and variables that are used in this research which will become the conceptual basis for the cause-effect analysis. In addition to that, literature review from previous researches will provide the insight of the research findings that have been obtained by previous researchers. Method explains about the way this research will be conducted, the object of this research, and the definitions and measurement of the variables that are used in this research. Furthermore, this chapter will also explain about data collection technique and data analysis method. Findings and argument discuss about the analysis of research data and the research result that have been obtained and verified by the researcher from data collection and processing them through descriptive statistics until hypotheses testing. Conclusions about the research findings and explains about the limitation of this research as well as the recommendations for the future researchers that have the same area of interest in developing this research.

LITERATURE REVIEW

Agency Theory

In a brief view, agency theory explains the relationship between the owner of a firm, which are shareholders (principals), and the managers and executives of the firm (agents). Jensen and Meckling (1976) further describes in their journal that the agency theory is a contractual relationship between the investor (principal) and the manager (agent). The shareholders decide the people who will be seated as managers and executives of the firm, representing them in managing the firm. The managers and the shareholders have different interest therefore creating a conflict between the principal and the agent.

The agents know more information and the company future prospect than the principal. The agent is responsible to report the condition of the company which can be monitored through the financial statements of the firm. However, sometimes the managers have different interests from the shareholders, and thus do some actions to satisfy their own interests. This situation results in agency conflict. Therefore, the agency conflict arises when the principals and agents have different interests regarding the firm.

Earnings Management

Earnings management can provide a study about the behaviour of the managers in preparing and reporting financial data in the financial statement. Earnings management arises as the consequences from the intention of the managers to gain personal profit for themselves or the company. The users of financial statement information are likely to see the earnings of the firm in order to evaluate performance of the firm, make investment decisions, and calculate income taxes, also evaluate the managers' performance.

There are three strategies a firm may apply in committing the earnings management, which are:

1. Income increasing, in which a firm recognises as much income as possible in order to make the firm more attractive for investors.
2. Big bath, in which a firm recognizes as much expenses as possible on the recess periods in order to eliminate past errors and effects of future increase of earnings.
3. Income smoothing, in which a firm decreases or increases income according to the situation, in order to reduce the volatility of earnings when the economic condition is unstable (Subramanyam, 2014).

Earnings management is not always interpreted as a bad thing because they do not always mean that the managers manipulate the earnings.

Employee Stock Ownership Programs

The purpose of the Employee Stock Ownership Programs (further will be called ESOP) according to Financial Services Authority is to create alignment of interests and mission of employees and executives with shareholder's interest and mission, therefore reducing agency problem and agency cost. ESOP can be considered a long term incentives provided by the company to engage a sense of belonging by the employee to the company. This believed can increased the employee productivity and company performance.

Asymmetry Information

Information asymmetric is the gap of information that managers have about the prospects of the company than the information held by the shareholders (Wiyadi et al., 2015). According to Nariastiti and Ratnadi (2014) managers hide such information for personal gain. The relationship between owners and managers can lead to asymmetry information conditions because managers are in positions that have more information about the company than shareholders. This allows managers to have the opportunity to act in accordance with their utility, such as hiding information that can harm the owner or make earnings management so that the greater the difference in information owned by managers with owners, will tend to do earnings management (Wardani & Masodah, 2011).

Leverage

Leverage is the ratio between total firm's liabilities and total firm's asset. It shows how much the firm's assets that were invested by liabilities. It is indicated that the more a firm's debt, the more the risk the firm faces regarding contractual debt payments. Generally, increase in leverage results in increasing risk and return while decrease in leverage results the decrease the risk and return (Gitman & Zutter, 2010). Leverage is often included as one of the ratios that include in debt covenants which have to be met by firms.

There are three basic types of leverage, which are operating leverage, financial leverage, and total leverage (Gitman & Zutter, 2010). Operating leverage concerns the relationship between revenue and earnings before interest and tax. Financial leverage concerns the relationship between earnings before interest and tax and earnings per share. Total leverage is the potential use of fixed costs, both operating and financial, to magnify the effects of changes in revenue on firm's earnings per share.

Profitability

Profitability can be measured through many ways. The return on total assets (ROA), often called the Return on Investment (ROI) is one ratio that usually used for measuring profitability. It measures the overall effectiveness of profit produced by the company's asset. The higher the firm's return on total assets, the better effectiveness of management in generating profits with its available assets (Gitman & Zutter, 2010) and vice versa. Lower accounting profits provide motivation for firms to manipulate earnings because these firms are possibly facing financial constraints. It results in lowering the amount of external capital, such as investors and creditors because they will not invest or lend some money to poor performance firms. Therefore, management will try to do an earnings management for boosting its profit and performance. High accounting profits also give motivation to managers to perform earnings management with the practice of income smoothing so that the reported earnings are not fluctuated. In addition, managers perform earnings management in relation to bonus and compensation. Bonus Plan Hypothesis which developed by Watts and Zimmerman (1990) explained that firms which have a bonus plan for its managers will motivate the managers to financially increase the firm performance by performing earnings management to gain bonus.

Firm Size

Firm size explains how big a firm is. The larger the firm is usually mean more information available for the investors in making investment decision. It can be measured by total asset of a firm, total sales, and market capitalisation (Guna & Herawaty, 2010). Firm size is related to earnings management since the more capital invested by external financing and well-known firms will encourage managers to do earnings management in order to make the performance of the firm looks good, reflected on the firm's financial statements. Moreover, many firms are quite politically visible, especially for very large firms in specific strategic industries, since their activities touch larger numbers of people rather than small firms (Scott, 2014). Larger firms are politically more sensitive and are likely to attract higher political exposure (Sun & Rath, 2009). Therefore, in order to reduce their visibility and political cost, such firms do the earnings management.

Managerial Ownership

Separation of management and ownership in a firm may lead to agency problems that reduce the firm's value due to agency conflicts. The agency hypothesis described by Jensen and Meckling (1976) suggests if the managers do not have high level of shares of the firm, they may not act most likely in behalf of the shareholders. When managerial ownership increases, the agency conflict will decrease and thus the motives to do earnings management will also decrease (Aygün et al., 2014).

Institutional Ownership

Institutional investors are the investors which pool a large sum of money, and then invest those sums in securities, real property, and other investment assets, or operating firms decided to invest a part of their profits in such investment assets. The level of institutional ownership determines the mechanism of firm governance. According to Asward and Lina (2015), institutional investors have the ability to monitor management actions better than individual investors this is because their main activity is investing in companies and is responsible for the funds they earn. Institutional companies will exercise caution and oversight in order not to incur losses on the main activities of institutional enterprises because the invested company can perform distorted actions such as earnings management.

Audit Quality

High audit quality is more likely to detect error and irregularities according to Bassiouny (2016). Auditors are responsible for the review of the integrity of financial reporting and have to maintain objectivity and independence. The big 4 public accountant offices in Indonesia are as below:

1. Price Water House Coopers (PWC).
2. Deloitte Touche Tohmatsu.
3. Klynveld Peat Marwick Goerdeler (KPMG) International.
4. Ernst and Young (EY), who work in KAP big four in conducting audits are seen to have more skills and expertise compared to KAP non big four so that the resulting audit results are more qualified.

The big four auditors have high experience and reputation in limiting the magnitude of fraud so that companies are difficult to carry out bad actions such as earnings management (Yuliana & Trisnawati, 2015). High audit quality is more likely to detect error and irregularities (Guna & Herawaty, 2010). Audit Quality used dummy variable, 1 if audited by KAP Big 4 (PWC, Deloitte, KPMG, EY); 0 otherwise.

Firm Age

As the firm grow by the years, the management of the firm is also getting better. They learn from their mistakes, specialize more, and new techniques are found to standardize, coordinate, and speed up their production processes as well as improving quality and becoming more cost efficient according to Bassiouny (2016). Firms that have been in market for a long time tend to have low earnings management as they have reputation to hold and more well-known companies than the beginners, so the older the firm the less tendency to perform earnings management practices.

ESOP and Earnings Management

Research conducted by Wiyadi et al. (2015) states that ESOP has negative effect on earnings management. This can happen because by implementing ESOP, employee will be motivated to monitor the management, so opportunity to do earnings management by the managers will be reduced. ESOP does in fact have no influence on earnings management. ESOP is not attractive in Indonesia as a way to reduce agency problems between shareholders and managers. It is only relevant for public companies with dispersed ownership. Hypothesis as follows:

H1: ESOP has influence on earnings management.

Information Asymmetry and Earnings Management

Wiyadi et al. (2015) suggest that asymmetric information has an effect on earnings management. This research is supported by research conducted by Wardani & Masodah (2011) which states that information asymmetry has an effect on earnings management. This research is also supported by Nariastiti and Ratnadi (2014) that suggest that information asymmetric has an influence on earnings management. The company has a good procedures and systems and sophisticated so as to prevent the practice of earnings management although there are differences in information between owners with the management, the information asymmetry has no effect on earnings management. Hypothesis as follows:

H2: Information asymmetry has influence on earnings management.

Leverage and Earnings Management

Research conducted by Selahudin et al. (2014) shows the positive relationship between leverage and earnings management. This research is supported by research conducted by Bassiouny (2016) that states that leverage has a positive influence on earnings management. The higher the debt funded company finance the higher the probability of profit management practices (Arifin & Destriana, 2016). According to research conducted by Sunandar et al. (2014)

states that leverage has no effect on earnings management. This research is supported by research conducted by Christiani and Nugrahanti (2014) which states that leverage has no effect on earnings management. Hypothesis as follows:

H3: Leverage has influence on earnings management.

Profitability and Earnings Management

Wiyadi et al. (2015), Susanto (2013), and Nurdiniah and Herlina (2015) stated that the result of their research is that there is no influence of profitability (ROA) on earnings management. Investors also know the value of profit in the income statement is the value of accruals that can be managed by managers so investors do not always pay attention to earnings (Susanto, 2013). A study by Aygun et al. (2014), Arifin and Destriana (2016), Guna and Herawaty (2010), and Yuliana and Trisnawati (2015) stated that profitability has a positive effect on earnings management. The management will conduct earnings management so that the company's performance looks good in accordance with their expectations (Yuliana & Trisnawati, 2015). Hypothesis as follows:

H4: Profitability has influence on earnings management.

Firm Size and Earnings Management

Bassiouny (2016) states that firm size have no effect on earnings management. These results are in line with Christiani and Nugrahanti (2014) research, Wiyadi et al. (2015), and Arifin and Destriana (2016). Research conducted by Swastika (2013) states that company size has a negative effect on earnings management, because the cost of reputation for larger firm is higher than that of small firms that will prevent large firms from making earnings management (Bassiouny, 2016). Hypothesis as follows:

H5: Firm size has influence on earnings management.

Managerial Ownership and Earnings Management

Aygun et al. (2014) and Alves (2012) show result that management ownership has positive relationship with earnings management. This suggests that the higher level of managerial ownership the higher magnitude of discretionary accounting accruals. According to research conducted by Arifin and Destriana (2016), states that managerial ownership has no effect on earnings management. This research is supported by research conducted by Susanto (2013). Hypothesis as follows:

H6: Managerial ownership has influence on earnings management.

Institutional Ownership and Earnings Management

A study conducted by Aygun et al. (2014) shows that institutional ownership has a negative effect on and earnings management. This is because institutional companies will be cautious and supervise their investments in order to avoid losses. Research conducted by Agustia (2013) states that institutional ownership has no effect on earnings management. These results

are in line with research conducted by Kusumaningtyas (2012), Guna and Herawaty (2010), and Susanto (2013). Hypothesis as follows:

H7: Institutional ownership has influence on earnings management.

Audit Quality and Earnings Management

Study conducted by Swastika (2013) and Susanto et al. (2017) shows that audit quality has a negative effect on earnings management. On the other hand, study conducted by Bassiony (2016) shows that audit quality has no relationship on earnings management. This result is in line with a study conducted by Arifin and Destriana (2016), and Christiani and Nugrahanti (2014). Hypothesis as follows:

H8: Audit quality has influence on earnings management.

Firm Age and Earnings Management

The study by Bassiony (2016) shows that firm age has no effect on earnings management. This suggests that the stage of a firm in its business cycles does not affect its earnings management. In contrast to research conducted by Kusumaningtyas (2012) states that the age of the company has a negative effect on earnings management, meaning that the longer the life of the company the lower profit management practices. Hypothesis as follows Table 4:

H9: Firm age has influence on earnings management.

METHODOLOGY

This research examines 87 non-financial firms listed in Indonesia Stock Exchange from the year 2014-2016, thus 258 data used in this research. The samples are selected using purposive sampling with criteria summarised in the following Table 1. The type of data used in this study is secondary data which can be obtained indirectly through media or online sources. Data needed in this study is provided by the financial statement of listed firms from 2013 to 2016. Data can be obtained by visiting Indonesia Stock Exchange or directly download the financial statements whether from the firm website or Indonesia Stock Exchange website (IDX). Data collection methods used in this research is observation and documentation of the available data from financial statements.

Criteria Description	Total Firms	Total Data
Non-financial firms consistently listed in Indonesia Stock Exchange from the year 2013 to 2016.	403	1209
Non-financial firms which do not consistently present annual report or financial statement in IDX from the year 2013 to 2016.	(17)	(51)
Non-financial firms which do not consistently publish financial statements as of 31 December from 2013 to 2016.	(5)	(15)
Non-financial firms which do not consistently use IDR currency in the financial statements from 2013 to 2016.	(74)	(222)
Non-financial firms which do not consistently earn profit from 2013 to 2016.	(122)	(366)
Non-financial firms which do not consistently have managerial ownership from 2013 to 2016.	(98)	(294)

Table 1 SAMPLE SELECTION		
Number of sample fir	Number of sample firms used.	87
		258

The measurement of discretionary accruals is calculated using modified Jones (1991) model defined formally as:

$$\frac{TACt}{A_{t-1}} = \beta_1j \left[\frac{1}{A_{t-1}}\right] + \beta_2j \left[\frac{\Delta REVt - \Delta ART}{A_{t-1}}\right] + \beta_3j \left[\frac{PPEt}{A_{t-1}}\right] + \epsilon t \tag{1}$$

Where, TACt total accruals in year t (net income – cash flows from operating activities), A_{t-1} total asset at the end of year (t-1), ΔREVt change in revenue between year (t-1) and year t, ΔART change in receivables between year (t-1) and year t, PPEt gross property, plant, and equipment in year t, β₁-β₃ regression parameters, εt error term as discretionary accruals. The independent variables measurements in this research are as follows Table 2:

Table 2 VARIABLE MEASUREMENT	
Variable	Measurement
ESOP	1=Implement ESOP, 0=Not implement ESOP
Asymmetry Information*	$SPREAD_{i,t} = (ask_{i,t} - bid_{i,t}) / \{(ask_{i,t} + bid_{i,t}) / 2\} \times 100$
Leverage	total liabilities ÷ total assets
Profitability	Net income ÷ total asset
Firm Size**	Ln (total asset)
Managerial Ownership	Share own by management ÷ total outstanding shares
Institutional Ownership	Share own by institutional investor ÷ total outstanding shares
Audit Quality	1=audit by big 4, 0=audit by non-big 4
Firm Age	Age
Note: *SPREAD _{i,t} =the difference between the purchase share price and the selling share price of the firm i on day t. Ask _{i,t} =Offer the highest selling price of company i on day t. Bid _{i,t} =Demand for the lowest stock buy price of company i on day t. **ln=natural logarithm.	

In this research, multiple regression analysis is used to examine the hypotheses. The empirical model used to test the hypotheses is:

$$DACC_{i,t} = \alpha + \beta_1(ESOP_{i,t}) + \beta_2(SPR_{i,t}) + \beta_3(LEV_{i,t}) + \beta_4(ROA_{i,t}) + \beta_5(SIZE_{i,t}) + \beta_6(MGR_{i,t}) + \beta_7(INST_{i,t}) + \beta_7(INST_{i,t}) + \beta_8(AUD_{i,t}) + \beta_9(FIRA_{i,t}) + \epsilon_{i,t} \tag{2}$$

Where, DACCEarnings management (discretionary accruals), ESOP employee stock ownership programs, SPR asymmetry information, LEV leverage, ROA profitability, SIZE firm size, MGR managerial ownership, INST institutional ownership, AUD audit quality, FIRA firm age.

FINDINGS AND ARGUMENT

The statistical results are as follows:

Variable	N	Minimum	Maximum	Mean	Std. Deviation
DACC	258	-0.21967321	0.24150831	0.000000000	0.07208981823
ESOP	258	0	1	.10	.307
SPR	258	0.00000000	200.0000000	56.0853860248	28.73562056533
LEV	258	0.06618702	0.93123948	0.4288167936	0.19016059679
ROA	258	0.00024176	0.33399235	0.0676277987	0.05539378438
SIZE	258	25.61948306	33.19881203	28.8390322002	1.68048367158
MGR	258	0.00000001	0.66400577	0.0552125562	0.10870116562
INST	258	0.00000000	0.97750865	0.6263032569	0.19681249789
AUD	258	0	1	0.45	0.498
FIRA	258	7	65	33.10	11.001

Source: Data Output SPSS 19.0.

Variable	Coefficients	Sig.
ESOP	0.028	0.056
SPR	0.00001545	0.922
LEV	-0.001	0.959
ROA	0.203	0.022
SIZE	-0.011	0.001
MGR	-0.046	0.406
INST	-0.015	0.599
AUD	-0.010	0.365
FIRA	0.001	0.072

Source: Data Output SPSS 19.0.

ESOP has significance level of 0.056, means that H_1 is accepted. It means that ESOP has influence on the earnings management. This is due to the fact that in Indonesia, company directors who are controlling shareholder or family member of a controlling shareholder. Secondly, ownership of companies in Indonesia is concentrated in certain groups such as family. Family is the most dominant controller of public companies. Third, agency problems in Indonesia occur between controlling and non-controlling shareholders. These conditions make the ESOP program popular in Indonesia. Thus, the program is attractive in Indonesia as a way to reduce agency problems between shareholders and managers. It is only relevant for public companies with dispersed ownership.

Information asymmetry (SPR) has a significance value of 0.922, means that H_2 is not accepted. It means that asymmetric information has no effect on earnings management. This is because the company has a good procedures and systems and sophisticated so as to prevent the practice of earnings management although there are differences in information between owners with the management, the information asymmetry has no effect on earnings management.

Leverage (LEV) has a significance value of 0.959, means that H_3 is not accepted. It means that leverage does not affect the earnings management in the company. This is because companies do not have to rely on earnings management for security of debt agreements but there are other ways such as timely payment and credibility of the company (Christiani & Nugrahanti, 2014).

Profitability (ROA) has a significance value of 0.022, means that H_4 is accepted. It means that profitability affects earnings management. Profitability has a positive effect on earnings

management. It means the higher the profitability ratio, the higher chance that earnings management happen. This is because one of the indicators of firm performance is through profitability ratio

Firm size (SIZE) has a significance value of 0.001, means that H_5 is accepted. It means that firm size affects earnings management. Firm size has a negative effect on earnings management. This is due to large firms have better management such as good corporate governance and modern technology systems that can reduce the action of earnings management. Also large firms have less chance of earnings management because they are viewed as more critical by outsiders (Wiyadi et al., 2015), in addition the cost of reputation for larger firm is higher than that of small firms that will prevent large firms from making earnings management (Bassiouny, 2016).

Managerial ownership (MGR) has a significance value of 0.406, means that H_6 is not accepted. It means that managerial ownership has no effect on earnings management. This is because the management only focus on the target of the investor so that managerial ownership does not affect the earnings management.

Institutional ownership (INST) has a significance value of 0.599, means that H_7 is not accepted. It means that institutional ownership has no effect on earnings management. This is because institutional companies are unable to perform their duties properly and have no effect in preventing earnings management so that institutional ownership has no effect on earnings management.

Audit quality (AUD) has a significance value of 0.365, means that H_8 is not accepted. It means that audit quality has no effect on earnings management. This is because big four and non-big four KAP have training, procedures, and programs in detecting earnings management. Firm age (FIRA) has a significance value of 0.072, means that H_9 is accepted. It means that firm age has effect on earnings management. This is because both new and old firms affect the reporting of positive earnings to avoid reporting losses.

CONCLUSIONS

The result of this research shows that ESOP, profitability, firm size, and firm age statistically have influence on earnings management. While, information asymmetry, leverage, managerial ownership, institutional ownership, and audit quality don't influence on earnings management. This research is expected to enhance the knowledge of management of misinterpretation impacts to earnings information. ESOP can be considered a long term incentives provided by the company to engage a sense of belonging by the employee to the company. This believed can increased the employee productivity and company performance. There are some limitations that exist during this research, which are:

1. This research period is relatively short, which is only three years.
2. Writers only use 9 variables.

Based on the limitations above, some recommendations that can be used for the further research are:

1. The further research is expected to make longer period research, 5 years.
2. The further research is expected to add more variables, such as free cash flow and audit committee.

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