

***The Influence of International Financial Reporting Standard (IFRS)
Adoption on Earnings Management
(Empirical Studies on Food and Beverages Companies
Listed in Indonesia Stock Exchange 2010-2013)***

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ABSTRACT

The purpose of the research is to give empirical evidence of the effect of the IFRS adaptation on earning management. The research objects are the food and beverage companies listed in Indonesia Stock Exchange in 2010-2013. The main variables are IFRS and earnings management and other control variables i.e. size, financial leverage, market to book ratios, and equity. The data use multiple regression analysis and different t-test Paired Two Samples analysis. The results are that four controls variables, size and institutional investors have a positive influence on the earnings management. Financial leverage and market to book value indicate negative influence for earnings management. Partially, the IFRS adoption gives negative effects and insignificant for earnings management but simultaneously the IFRS adoption and control variable i.e. size, financial leverage, market-to-book ratios, and equity holdings by institutional investors influence positively and significantly for earnings managements. The result analysis t-test paired two samples test shows no significant differences between the level of earnings management level before and after the IFRS adoption. Based on this research, partially, IFRS adoption has no impact on earnings management.

Keywords: IFRS, earnings management, size, financial leverage, market-to-book ratios, and equity.

INTRODUCTION

Disclosure and presentation of accurate information is needed by users of financial statements, in order that the financial statements are not misleading. But in practice, its own accounting allows management to manage earnings. Scott (2009) describes the earnings management is the manager's actions to reported earnings that may maximize personal or corporate interests by using the method of accounting policy. Sulistyanto (2008) argued that the existence of rules in accounting standards may constitute one of the tools that accommodate and facilitate the company to commit fraud. Companies can conceal fraud by utilizing a variety of methods and procedures contained in the accounting standards, thus accounting standards as if accommodating and allowing companies to organize and manage the company's earnings.

Case manipulation of financial statements has ever happened to PT Kereta Api Indonesia. Suspected manipulation of data in the financial statements of PT Kereta Api Indonesia (KAI) in 2005, the state-owned company recorded a profit of USD, 6.9 Billion. In fact, if examined and studied in more detail, the company should have suffered a loss of Rp. 63 Billion. These financial statements have been audited by Public Accountant S. Manan. After the results of the audit examined closely, irregularities found on the financial statements of PT KAI-2005 (www.wordpress.com).

Many countries have now switched from US GAAP to international accounting standards or so-called IFRS. IFRS international accounting standards are issued by the International Accounting Standards Board (IASB). IFRS with principled based approach is considered to minimize the level of earnings management conducted by the management with the tightening of the rules and a fair value approach in the presentation of financial statements.

Institutions Accounting Profession (Indonesian Institute of Accountants) stipulates that Indonesia undertake full adoption of IFRS January 1, 2012. This determination is expected to minimize the level of earnings management in the company. However, still be biased if the application of IFRS could reduce the company's earnings management behavior. Various studies have been carried out one by Lin and Paananen (2006) examined the changing patterns of earnings management activities and stated that IFRS does not effectively reduce the overall earnings management activities. Callao and Jarne (2010) compared the accrual discretionary listed companies in 11 European markets shortly after the adoption of IFRS. They found that the support discretionary IFRS accounting and opportunistic behavior. Rudra and Bhattacharjee (2012) examined whether IFRS affect earnings management in India and found that earnings management increases significantly with the adoption of IFRS. While in Indonesia, Octiani study (2012) showed that there remains a decline in value relevance of accounting information due to earnings management in a manufacturing company in the Stock Exchange after the adoption of IFRS. In addition, research on the effect of the adoption of IFRS on the level of earnings management has been done by Santy et al (2012) to the banking sector which resulted in the conclusion that the adoption of IFRS has no significant effect on earnings management and there is no difference in the level of earnings management between before and after the adoption of IFRS.

The level of earnings management in a company's financial statements can be found by calculating discretionary accruals or accrual policies arising from policy management. Calculation of discretionary accruals carried out using a measuring instrument modification aggregate accrual Jones (Rudra and Bhattacharjee, 2012). In addition to the adoption of IFRS, there are several other factors that need to be controlled in calculating earnings management such as company size (size), financial leverage, market-to-book ratios, and equity holdings by institutional investors (Rudra and Bhattacharjee, 2012).

The quality of the financial statements can be seen from the behavior of earnings management conducted. The less the level of earnings management is in a financial report, then the quality of the financial statements (Rahmawati, 2012).

The problems are the focus of this research is how the effect of the adoption of IFRS on earnings management and earnings management level conditions before and after the adoption of IFRS.

Based on the identification of the problem, then the purpose of the study was to obtain empirical evidence of the effect of the adoption of IFRS on earnings management and earnings management level difference between before and after the adoption of IFRS.

LITERATURE

Scott (2009; 403) defines earnings management is earnings management is the choice by a manager of accounting policies so as to Achieve some specific objective. Kieso (2011; 145) defines earnings management is earnings management is Often defined as the planned timing of revenues, expenses, gains, and losses to smooth out bumps in earnings. According to Wild et al, 2007 in Sastradipraja 2010 earnings management are classified into two types, namely Cosmetic Earnings Management, occurs when managers manipulate accruals that do not have cash flow consequences, and Real Earnings Management, occurs when managers do activities with consequent cash flows.

Scott (2009) mentions three forms of earnings management, namely 1) Taking a big bath, 2) Income minimization, 3) Income maximization, and 4) Income smoothing. Scott (2009) explains that the motivation of managers in the company earning management is one) Bonus purpose, 2) Debt covenants, 3) Political motivation, 4) Taxation motivation, 5) change of CEO, and 6) Initial Public Offering. According to Dechow et al Rahmawati 1995 in 2007, a comparison is made against the five models, namely 1) Healy Model, 2) Model DeAngelo, 3) Model Jones, 4) Model Modified Jones, 5) Adjusted Industry Model

Jones (1991) developed a model of earnings management by dividing the company's total accruals into non discretionary accruals (accruals reasonable level) and discretionary accruals (abnormal accrual rate). Discretionary accruals accrual policies shaped are not because the needs of the company's condition, but by management to shift the costs and revenue from one period to another so that specific management objectives can be met. Discretionary accruals are an effective way to reduce the reporting earnings (earnings), where it was difficult to be detected and used to manipulate the accounting policy relating to accruals. Non-discretionary accruals are the accounting policies selected the company to directly charge (expense) or capitalize (assets) when it should be the company cannot happen, because the non-discretionary accruals can be tolerated, then finally used as a measure discretionary accruals determine the magnitude of earnings management by management.

s that the manager gives his intervention in the financial reporting process, while the non-discretionary accruals are components accrual outside management policy or an admission accrual reasonable profit which is subject to a standard or generally accepted accounting principles. Non-discretionary accruals are accrued reasonable and if breached will affect the quality of the financial statements, then the non discretionary accruals is not relevant in this study, therefore, form accruals Ordinary analysis in this research is a form of discretionary accruals that an accrual is not normal and is the choice management policy in accounting method.

Value of discretionary accruals (DA) to measure the level of earnings management are calculated using the Modified Jones model (Dechow et al, 1995). This model uses a total accrual (TA) were classifiAn accrual is divided into two, namely discretionary and non discretionary accruals. Discretionary accruals are components of accruals that are within management policy, which meaned into discretionary component (DA) and the non-discretionary (NDA). According to (Rahmawati et al, 2007) Modified Jones Model can detect management better profit compared with other models in line with the results of Dechow et al, (1995).

International Financial Reporting Standards are standards-driven preparation of financial reporting to be implemented by many countries in the world in the context of convergence towards the realization of the use of the same standard. Effective in 2011, IFRS has been adopted by some countries, such as Canada, Australia and European countries. Even today, countries that were not converge like the United States are expected to have adopted IFRS as soon as 2014.

It is important to distinguish between the adoption of IFRS or convergence of IFRS. At the state level, meaning the adoption of national accounting standards with IFRS directly replaced. This position has taken by the member countries of the European Union (EU) since 2005 to impose the full IFRS. Convergence is a gradual mechanism undertaken a country to change its national accounting standards with IFRS. The purpose of IFRS is to ensure that the interim financial statements of the company for the periods referred to in the annual financial statements, contain high quality information that:

1. Transparency for users and can be compared throughout the periods presented.
2. Provide adequate starting point for accounting based on IFRS.
3. Can be generated at a cost that does not exceed the benefits to users.

According Kusumawadhani (2012) the size of the company is a measure used to determine whether the company has operational activities more complex so it is possible do earnings management. Company size is a value that indicates the size of the company. Size companies typically measured using total sales, total assets, and market capitalization. The greater the value of total sales, total assets and market capitalization, the greater the size of the company. This study uses market capitalization as a proxy of the size of the company.

Central Bureau of Statistics categorize the level of the company's scale based on the level of sales, which is a small company selling rate <USD 3 billion; moderate level of sales of Rp 3 billion - Rp 10 billion, and the intermediate level of sales> US \$ 10 billion.

Bapepam chairman Decree No. Kep 11 / PM / 1997 in Kusumawardhani (2012) mention the small and medium enterprises based assets (wealth) is a legal entity which has total assets of not more than one hundred billion rupiah, while large enterprises are entities with total assets over one hundred billion rupiah.

Financial Leverage (Debt Equity Ratio) indicates the proportion of the use of debt to finance investment. The greater the debt of the company, the greater the risk faced by investors so that investors will ask the higher profit levels. As a result of these conditions companies tend to perform income smoothing practices. In this study, financial leverage is proxy by debt to equity ratio is obtained by total debt divided by total equity.

Debt Equity Ratio is a measure used in analyzing financial statements to show the amount of collateral available to creditors (Siegel and Shim, 1999, in Fahmi, 2012). Total debt is total liabilities (both short-term debt and long-term). While the total equity of the total equity (including total paid-up share capital and retained earnings) owned by the company).

Debt Equity Ratio illustrates the composition or structure of the company's capital is used as a source of business funding. The higher the Debt Equity Ratio indicates the higher the composition of the company's debt compared with equity capital that a major impact on the burden on companies to outsiders because it would lower the level of the company's solvency. The use of the debt for the company contains three dimensions: the lender will focus on the amount of collateral for loans, using debt then when company benefit greater than the burden of fixed then the owner of the company profits will increase, and by using debt then owner obtaining funding and do not lose control of the company.

Market-to-Book Ratios (Price Book Value) is a computation or comparison between the market price to the book value of a share. With this PBV ratio, investors can find out directly how many times the market price of the stock appreciated from its book value. This ratio can provide an overview of potential price movement of a stock so that out of the picture, indirectly Price Book Value ratio is also an impact on stock prices (Fahmi, 2012).

Equity Holding by Institutional Investor are ownership of shares held by other institutions. This is one way to monitor outcomes manager performance in managing the company so that with the ownership by other institutions is expected to reduce earnings management behavior managers do.

Institutional ownership has the ability to control the management through effective monitoring process. (Cornet et al, 2006, in Veronica, 2005) found no evidence that states that the control measures undertaken by a company and the institutional investors can restrict the behavior of the manager. (Moh'd et al, 1998, in Veronica, 2005) states that an institutional investor is a party that can monitor an agent with great ownership, so the motivation of managers to manage earnings to be reduced.

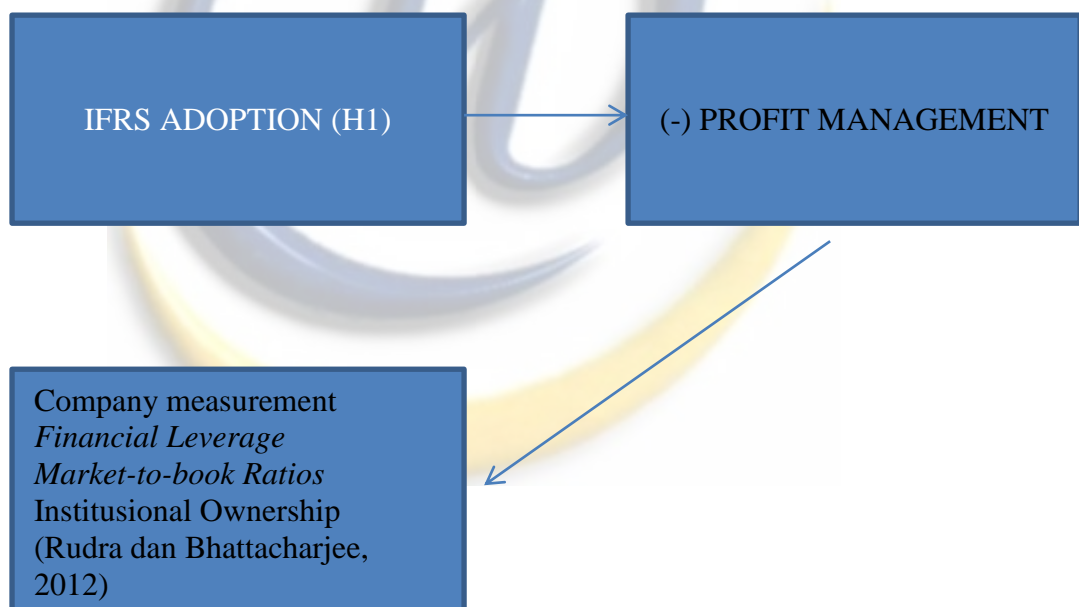
Financial Accounting Standards (IFRSs) is a framework in the financial reporting procedures to enable the uniformity in the presentation of financial statements (the Indonesian Accountants Association, 2009). After the fall of the US economy from Enron manipulation case to the failure of investment property there that caused the global economic crisis a few years ago, it seems the world will trust American accounting standards (US. GAAP) is also fading. It can be seen from the adoption of International standards (IFRS) which entrenched both developed and developing countries in Europe, Asia, Africa, and others.

International accounting standards are intended to simplify the various alternative accounting policies are allowed and expected to limit consideration of management policy (management's discretion) to earnings manipulation so as to improve the quality of earnings (Cai et al, 2008). Lack of such management policy considerations associated with fewer choices of accounting methods that can be

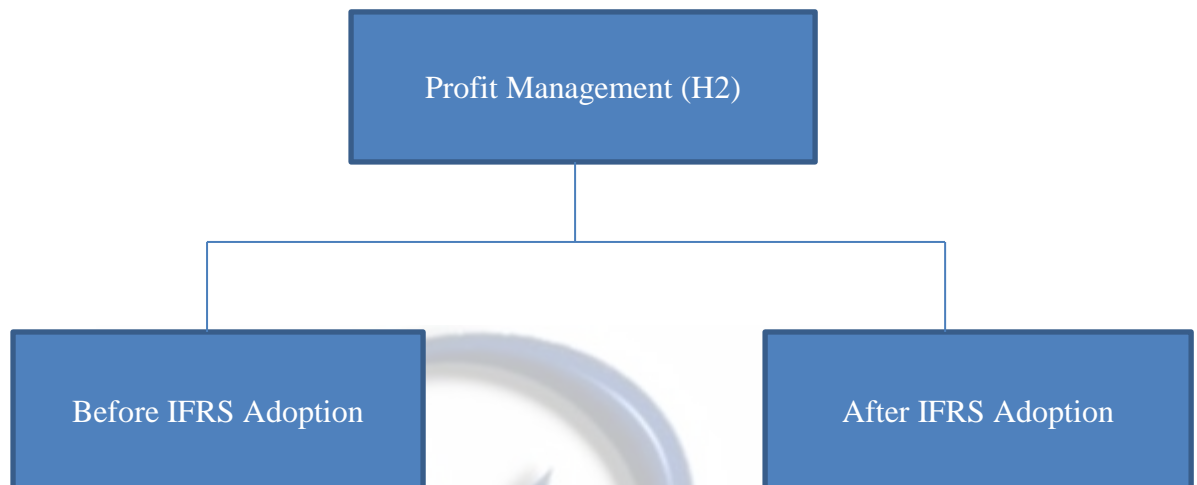
applied so that will minimize fraudulent accounting practices. Prior to the adoption of IFRS, management has flexibility when selecting the method of accounting so that motivates managers to choose accounting methods used or to change in order to increase, decrease, or flatten profit. In other words, management can easily take advantage of leeway use of accounting methods or procedures for plays that will improve the profit measures earnings management. The application of IFRS in the company will reduce earnings management actions as there are restrictions on the management policy considerations in this regard is the policy in the accounting method that is less and less due to application of IFRS (Cai et al, 2008).

Principled based approach promoted by Standard IFRS believed to further improve the quality of information in the financial statements by way of narrowing the gap management for profit management action. Other factors such as company size, financial leverage, market to book ratio and equity holdings by institutional investors also need to be considered in examining the earnings management (Rudra and Bhattacharjee, 2012). Model theoretical framework of the research to be conducted are described in figure 2.1 below:

Figure 2.1
Framework
Model 1



Model 2



It is still asked whether the adoption of IFRS will affect the quality of accounting information by reducing the level of earnings management. The adoption of IFRS is a global form of language use in the financial statements that will improve the quality of financial reports and earnings management is likely to decrease. The assumption in this study is whether the company in Indonesia to adopt IFRS decreased level of earnings management, so as to have better earnings reports compared with companies that do not adopt IFRS. Based on the description, the hypothesis could be developed as follows:

H1: Adoption of IFRS negative effect on earnings management

The adoption of IFRS which adheres to the principle-based is expected to reduce the level of earnings management. Rudra in research and Bhattacharjee (2012) as to whether the adoption of IFRS affect earnings management in companies in India get the result that the adoption of IFRS affect positively to earnings management. Adoption of IFRS in previous studies resulted in two directions, which can increase and decrease the earnings management. However, referring to the statement of the Indonesian Accountants Association in 2009, It is stated that IFRS may complicate earnings management action through the application of fair value and balance sheet approach. The assumption of this study is there are differences in the level of earnings management in the company before and after IFRS, in which companies are adopting IFRS tend to have smaller profit management. So the exposure theory, the writer can draw a hypothesis as follows:

H2: There are significant differences on earnings management between before and after the adoption of IFRS, where the company after adopting IFRS tends to have lower earnings management than before adopting.

This research uses explanatory research method that focuses on earnings management and the factors that may affect it, which is a measure of the company, financial leverage, market-to-book ratios and equity holdings by institutional investors.

The population of this research is companies engaged in the food and beverages industry sectors listed on the Indonesia Stock Exchange from 2010 up to 2013. The population in this study was 18 companies in the food and beverages industry. The sample was selected by using purposive sampling method, the sample selection on the basis of correspondence between the samples with specific selection criteria.

The criteria for selecting the sample consists of:

1. The food and beverages company that has been listed in the Indonesia Stock Exchange 2010-2013.
2. The Company issued financial statements for the period ended on December 31 began the year 2010-2013.
3. The company issued the annual report for the year 2010-2013.
4. The Company presents financial statements in the amount of rupiah during the year 2010-2013.

The total sample of 13 companies which constitute 72% of a food and beverages company listed in Indonesia Stock Exchange during 2010 to 2013.

The author uses explanatory research method, the research highlighted the causal relationship between the variables of research and testing hypotheses that have been formulated previously. The purpose of the study is causally to be able to state that the variable X causes variable Y.

Table 3.2
Variable Operationalization

Variable		Variable Concept	Indicator	Scala
Independent	IFRS Adoption (X)	Complete Adoption of IFRS scored 1 and has be IFRS scored 0.	Variable <i>dummy</i>	Ratio
Control	Company size	Company size is a scale that can classify the company as the big or the small one (Kusumawadhani, 2012)	Log Market Capitalization	Ratio
	<i>Financial Leverage (D/E)</i>	<i>Financial Leverage</i> Measure how much the company is financed by debt(Fahmi, 2012)	$D/E = \frac{Liability\ Total}{Total\ Equity\ Total}$	Ratio
	<i>Market-to-book ratios (M/B)</i>	<i>Market-to-book ratios</i> are to find out directly how many <i>market place</i> of stock is valued from its book value (Fahmi, 2012)	$M/B = \frac{Equity\ Market\ Value}{Equity\ Book\ Value}$	Ratio
	<i>Equity holding by institutional investors (II)</i>	Institutional ownership is the ownership of the shares owned by other institutions..	The percentage of shares owned by institutional investors in the company.	Ratio
		Profit management can be		Ratio

Dependent	Profit Management (Y)	defined as a company manager attempts to intervene or influence the information in the financial statements in order to determine the stakeholders who want to know the performance and condition of the company. (Sulistiyanto, 2008)	<i>Discretionary Accrual = Total Accruals – Non-discretionary Accruals</i>	
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Data used by the author in this research is secondary data obtained from reports containing various information about the issues that will be examined, as well as literature by reading and studying literature.

The data used in this study comes from Indonesian Capital Market Directory (ICMD) and the company's financial statements 2010-2013 food and beverages. Data obtained from Bursa Corner at the University Widyatama published on the web site with the website address <http://www.idx.co.id>.

Based on existing data, it will be seen how much influence the adoption of IFRS on earnings management, and other factors such as company size, financial leverage, market to book ratio and equity holdings by institutional investors. Here's a multiple regression model used in this study:

$$DA = \beta_0 + \beta_1 IFRS + \beta_2 SIZE + \beta_3 D/E + \beta_4 M/B + \beta_5 II + \varepsilon$$

Note:

β_0 : Constants

DA: Earnings management (discretionary accruals)

IFRS: Adoption of IFRS 1 when adopting IFRS and 0 if it does not adopt

Size: The size of the company (market capitalization log)

D / E: Financial Leverage

M / B: Market-to-book ratio

II: Equity holdings by institutional investors

ε : Other variables that are not included in the study

Testing this hypothesis is divided into four types of tests namely: pengujian determinansi coefficient, the partial test called t test (t-test), simultaneous testing called F test (F-test), and testing of paired t-test two samples.

RESEARCH RESULT

This study aimed to get empirical evidence, whether there is an effect of the adoption of IFRS on earnings management in companies in the food and beverages industry sectors listed on the Indonesia Stock Exchange started the year 2010-2013 were selected using purposive sampling method. The population of 18 companies is with a sample of 13 companies and 4-year observation period.

Research earnings management is proxy by discretionary accruals using the Modified Jones Model. The steps in calculating discretionary accruals are as follows:

1. Calculating the total accruals (TA) with the following formula:

$$TA_{it} = N_{it} - CFO_{it}$$

Note:

TA_{it} : Total accruals for firm i in period t

N_{it} : Net profit (Net Income) i in period t

CFO_{it} : The company's operating cash flow (Operating Cash Flow) i in period t

- Calculate the total accruals (TA) were estimated by Ordinary Least square regression equation (OLS):

$$TA_{it}/A_{i,t-1} = \alpha_1(1/A_{i,t-1}) + \alpha_2(\Delta REV_{it}) + \alpha_3(PPE_{it}/A_{i,t-1})$$

Note:

$TA_{it}/A_{i,t-1}$: Total accruals on the company i in period t

$A_{i,t-1}$: Total assets of the company i in period t

ΔREV_{it} : Income (Revenue) the company i in period t minus Revenue (Revenue) the company i in period t-1

PPE_{it} : The value of fixed assets (gross) firm i in period t

- In the regression equation above ($\alpha_1 \alpha_2 \alpha_3$), NADA can be calculated by including recalls the coefficients.

$$NDA_{it} = \alpha_1(1/A_{i,t-1}) + \alpha_2((\Delta REV_{it} - \Delta REC_{it})/A_{i,t-1}) + \alpha_3(PPE_{it}/A_{i,t-1})$$

$A_{i,t-1}$: Total assets of the company i in period t

ΔREV_{it} : Revenue firm i in period t minus Revenue i in period t-1

ΔREC_{it} : Receivable firm i in period t minus Receivable firm i in period t-1

PPE_{it} : The value of fixed assets (gross) firm i in period t

- Next discretionary accruals (DA) can be calculated as follows:

$$DA_{it} = (TA_{it} / A_{i,t-1}) - NDA_{it}$$

Note:

DA_{it} : Discretionary Accruals company in period t

$TA_{it}/A_{i,t-1}$: Total accruals on the company i in period t

NDA_{it} : Non-Discretionary Accruals company in period t

Table 4.2 Shows the magnitude of Earnings Management in 2010 to 2013 for the entire sample as follows:

**Table 4.2
Profit Management Index (Discretionary Accruals)**

No	EMITEN	DA _{it}			
		Before IFRS Adaption		After IFRS Adoption	
		2010	2011	2012	2013
1	ADES	0.007921594	-0.001466413	0.000646673	3.75828E-05
2	CEKA	0.000966266	0.001432101	-0.00012909	0.002001096
3	DLTA	0.001748376	0.000101588	0.000284542	-0.001407353
4	DNET	8.89519E-05	0.000453382	0.000247788	0.056620066
5	FAST	0.000328414	0.000124322	-0.000107967	-8.01055E-05
6	ICBP	0.001973178	0.00051061	9.3331E-06	0.000112427
7	INDF	0.000344316	0.000393059	-0.000110128	0.000200153
8	MLBI	0.002769017	0.000942487	-0.001853632	0.006392558
9	PTSP	0.000318962	0.000439035	0.000393185	-0.000574856
10	ROTI	0.001227916	0.00083691	0.000796066	0.000511084

11	SKLT	0.000150254	0.000649084	0.000421751	0.001560662
12	TBLA	0.00025112	0.000595428	2.84196E-05	-8.72899E-05
13	ULTJ	0.000329298	0.000497522	0.000845836	0.000407182
The Highest Value		0.007921594	0.001432101	0.000845836	0.056620066
The Lowest Value		8.89519E-05	-0.001466413	-0.001853632	-0.001407353
Average		0.001416743	0.000423778	0.00011329	0.005053323

Source: Emiten Financial Statements and ICMD (processed).

Earnings management is a positive value indicates that earnings management is done by raising the profit, while earnings management indicates negative earnings management is done by lowering profits. The highest value of earnings management in 2010 amounted to 0.007921594 namely PT. Akhasa Wira International (ADES) and the lowest rate of 8.89519E-05, PT Makmur Indoritel International (DNET) The highest value of earnings management in 2011 at 0.001432101 namely PT. Light Wilmar Indonesia (CEKA) and the lowest rate of -0.001466413 namely PT. Akhasa Wira International (ADES). The highest value of earnings management in 2012 of 0.000845836 namely PT. Ultra Jaya Milk Industry & Trading Company (ULTJ) and the lowest rate of -0.001853632 namely PT. Multi Bintang Indonesia (MLBI). The highest value of earnings management in 2013 amounted 0.056620066 Indoritel Makmur, PT International (DNET) and the lowest rate of -0.001407353 namely PT. Delta Djakarta (DLTA).

Based on the average value of 2010 to 2013, it is respectively 0.001416743, 0.000423778, 0.00011329 and 0.005053323, so it can be seen that companies tend to increasing income accruals. The hypothesis was tested using paired t-test two samples and multiple linear regression method. The aim is to describe the earnings management before and after the adoption of IFRS and to obtain a comprehensive picture of the independent variables adoption of IFRS on the dependent variable, i.e. earnings management and control variable size, financial leverage, market-to-book ratios, and equity holdings by institutional investors during the period 2010-2013.

Descriptive statistical analysis is used to determine the description of a data seen from the maximum value, minimum value, the value of the average (mean) and standard deviation values resulting from the research variables.

Based on the descriptive statistical analysis using SPSS Ver. 20:00 obtained a description of the samples in Table 4.3 as follows:

Table 4.3
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
IFRS	52	.00	1.00	.5000	.50488
Company Measurement (LnSize)	52	23.50	28.90	25.7836	1.39867
Financial Leverage (D/E)	52	.00	2.49	.8944	.60028

Market-to-book Ratios (M/B)	52	.02	5.91	.7828	1.31647
Institutional Investors (II)	52	.47	.97	.7812	.16263
Profit Management (DA)	52	.00	.06	.0018	.00791
Valid N (listwise)	52				

Source: Output SPSS

Based on table 4.3 above, that the number of observations in the study (n) is 52 ie, 13 companies for 4 years.

The results of analysis by using descriptive statistics (Table 4.3) shows that of the 13 companies in four years as the sample in this study showed a minimum value Profit Management (DA) of -0.001853632, while the maximum value of 0.06, an average of 0.0018, and for the standard deviation is 0.00791.

The results of the analysis in Table 4.3 shows the minimum value of 0.00, while the maximum value of 1.00, an average of 0.50, and a standard deviation of 0.50488. A value of 1 is used if the company applies IFRS and the value 0 if the companies do not apply IFRS. 26 samples scored one in 2012-2013 when the application of IFRS has been applied and the 26 other samples obtained zeros in 2010-2011 when the application of IFRS has not been applied.

Company size (Size), the results of the analysis in Table 4.3 shows the value of the minimum size of the Company (LnSize) of 23.50, the maximum value of 28.90, an average of 25.78, and a standard deviation of 1.39867.

Financial Leverage (D / E), the results of the analysis in Table 4.3 shows the minimum value of Financial Leverage (D / E) of 0.000362197, the maximum value of 2.49, an average of 0.8944, and a standard deviation of 0.60028 ,

Market-to-book ratios (M / B), the analysis results in Table 4.3 shows the minimum value of market-to-book ratios (M / B) of 0.02, the maximum value of 5.91, an average of 0.7828 and a standard deviation of 1.31647.

Equity holdings by institutional investors (II), the analysis results in Table 4.3 shows the minimum value Institutional Investors (II) of 0.47, the maximum value of 0.97, an average of 0.7812, and a standard deviation of 0.16263.

Analysis of linear regression, hypothesis testing is done using multiple regression analysis. Based on data from the adoption of IFRS on earnings management along with the control variables, namely, the size of the company (size), financial leverage (D / E), market-to-book ratios (M / B), and equity holdings by institutional investors (II) Integration food and beverages listed on the Stock Exchange coefficient calculation results obtained multiple linear regression using SPSS as follows:

Table 4.7
Results of Multiple Linear Regressions
Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.087	.024		-3.668	.001
	IFRS	.001	.002	.048	.374	.710
	LnSize	.003	.001	.515	3.589	.001
	DE	-.003	.002	-.222	-1.744	.088
	MB	.000	.001	-.083	-.612	.544

II	.021	.007	.425	2.929	.005
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a Dependent Variable: AND

Source: SPSS output

Based on Table 4.7 that the multiple linear regression equation for the data used in this study are as follows:

$$Y = -0,087 + 0,001IFRS + 0,003SIZE - 0,003D/E - 0.000497M/B + 0,021II + e$$

From the regression model can be described:

1. α = constant of -0.087, meaning that if the independent variable is the adoption of IFRS and a few control variables, namely, the size of the company (size), financial leverage, market-to-book ratios, and institutional investors (at 0), then the dependent variable management will profit decreased by -0.087 units.
2. IFRS of 0.001 means that, if a variable has increased as big as IFRS 1 (one) unit while the other variables held constant, the dependent variable is management earnings will increase by 0,001.
3. The size of the company is 0.003, meaning that if the variable firm size increased by 1 (one), while the other variables held constant, the dependent variable is management earnings will increase by 0,003.
4. Financial leverage of -0.003, meaning that if the variable size of the company decreased by 1 (one), while the other variables held constant, the dependent variable is earnings management will be decreased by -0.003.
5. Market-to-book ratios of -0.000497 (0,000), meaning that if the variable size of the company decreased by 1 (one), while the other variables held constant, the dependent variable is management earnings will decrease by -0.000497.
6. Equity holdings by institutional investors amounted to 0,021, meaning that if the variable firm size increased by 1 (one) while the other variables held constant, the dependent variable is management earnings will increase by 0,021.

Hypothesis Test

Test Determinansi Coefficient (R2)

Coefficient determinansi shows the magnitude of the independent variable (the adoption of IFRS) and the control variables, namely, the size of the company (size), financial leverage (D / E), market-to-book ratios (M / B), and equity holdings by institutional investors (II) together can explain or explain the variance of the dependent variable.

Table 4.8
Results Coefficient of Determination Model Summary (b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.530(a)	.281	.203	.00706	2.125

a Predictors: (Constant), II, IFRS, DE, MB, LnSize

b Dependent Variable: DA

Source : SPP Output

Retrieved magnitude of correlation between the adoption of IFRS as well as control variables, namely, the size of the company (size), financial leverage (D / E), market-to-book ratios (M / B), and equity holdings by institutional investors (II) with earnings management amounting to 0.530. From table 4.8 determinansi unknown

coefficient values (R-Square) of 0.281. This result means that there is a contribution of 28.1% from the adoption of IFRS as well as the control variable, which is a measure of the company (size), financial leverage (D / E), market-to-book ratios (M / B), and the equity holding by institutional investors (II) in explaining or affect earnings management practices in the food and beverages company listed on the Stock Exchange. While 71.9% is explained by other variables not examined in this study.

Partial test (t test)

The t-test was conducted to determine whether there is influence individually-independent variables and the dependent variable. Summary results of the test statistic calculation on partial hypothesis testing can be seen in Table 4.9 below:

Table 4.9
Partial test (t test)

Variable	t_{count}	Sig (p)	A	Note
IFRS	0,374	0,710	5%	Not significant
Company Measurement (Market Capitalization Ln)	3,589	0,001	5%	Significant
<i>Financial Leverage (DE)</i>	-1,744	0,088	5%	Not significant
<i>Market-to-book ratios (MB)</i>	-0,612	0,544	5%	Not significant
<i>Equity holding by investors (II)</i>	2,929	0,005	5%	Significant

Source: SPSS Processing Result

This research used the sample of (n) = 52. Values t table by the number of samples (n) = 52, the number of variables and variable control independent (k) = 5, significant level $\alpha = 5\%$, degrees of freedom (db) = n - k - 1 = 52-5-1 = 46 obtained by 2.01290 (attachment 5).

Determination of test results (acceptance or rejection of H0) can be done by comparing t count with t table or also can be seen from the significance value (Ghozali, 2011).

Test Results Effect of IFRS adoption on Earnings Management (Discretionary Accruals).

Retrieved t count for IFRS is adoption variables (independent variables) of 0.374. To see the effect of the adoption of IFRS on earnings management (discretionary accruals) food and beverages companies listed on the Stock Exchange in 2010-2013, statistical hypotheses used are as follows:

H0 = $\beta = 0$: There is no partial effect of adoption of IFRS on earnings management

Ha = $\beta \neq 0$: There is a partial effect of adoption of IFRS on earnings management

Based on the statistical test t for testing the first hypothesis can be concluded that the independent variables have a negative relationship IFRS but not significant to earnings management. It can be seen from the analysis results for the variable t count IFRS amounted to 0.374 while the value t table at a significance level of 5% at 2.01290. If the comparison between the values obtained t count t table then t count

still smaller than t table ($t \text{ count} < t \text{ table}$). Then, the value obtained by the 0.710 significance greater than 0.05.

Some of the control variables, namely, the variables showed no significant financial leverage, where the value of a significance level of 0.088 ($t \text{ count} > t \text{ table}$). Variable market-to-book ratios also showed insignificant, where the value of a significant level of 0,544 ($t \text{ arithmetic} > t \text{ table}$). This shows that the variable IFRS, financial leverage, and market-to-book ratios are not having a real impact on the change (variance) of earnings management. The two variables other controls, have significant positive effect on earnings management variable firm size (size) which shows the value of a significance level of 0.001 ($t \text{ count} < t \text{ table}$) and variable equity holding by institutional investors showed the value of a significance level of 0.005 ($t \text{ count} < t \text{ table}$),

Simultaneous Test (Test F)

F-test was used to test the effect of the adoption of IFRS with a few control variables, which are firm size (size), financial leverage (D / E), market-to-book ratios (M / B), and equity holdings by institutional investors (II) together with dependent variable earnings management (discretionary accruals). The first hypothesis tested were as follows:

$$H_0: \beta_0 = \beta_1 = \beta_2 = \beta_3 = \beta_4 = \beta_5 = 0.$$

There is no significant effect between the independent variables, namely the adoption of IFRS and the control variables, namely size, financial leverage, market-to-book ratios, and equity holdings by institutional investors on earnings management.

$$H_a: \beta_0 \neq \beta_1 \neq \beta_2 \neq \beta_3 \neq \beta_4 \neq \beta_5 \neq 0$$

There is significant influence between independent variables, namely the adoption of IFRS and the control variables, namely size, financial leverage, market-to-book ratios, and equity holdings by institutional investors on earnings management.

Based on calculations using SPSS output obtained at 4:10 the following table:

Table 4.10
Results of ANOVA F Test

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	.001	5	.000	3.603	.008(a)
Residual	.002	46	.000		
Total	.003	51			

a Predictors: (Constant), II, IFRS, DE, MB, LnSize

b Dependent Variable: DA

Source: SPSS Output

According to the table 4.10 above, it can be seen the value of F for the regression model obtained amounted to 3.603 with a significance of 0.008. From table F table with the values obtained DF1 (independent variables and control variables) = 5 and DF2 = $n - k - 1 = 52 - 5 - 1 = 46$ amounted to 2.42 (Appendix 5).

The test results obtained F count (3.603) greater than F table (2.42) in order to obtain simultaneous testing decision is to reject H_0 . Of significant value can also be seen that the significance value less than 0.05, which means significant. This indicates that the simultaneous adoption of IFRS together with the control variables, namely size, financial leverage, market-to-book ratios, and equity holding by investors institutional positive and significant effect on earnings management.

Paired t-test Two Samples

Paired sample t-test or paired samples t test was used to test the average proportion of two paired samples. This test is usually done on the subject before and after a process. This test is done to show the average value of discretionary accruals in the period before and after the adoption of IFRS. The second hypothesis tested was as follows:

Ho: $\bar{X}a = \bar{X}b$: There was no significant difference to the level of earnings management company between before and after the adoption of IFRS.

Ha: $\bar{X}a \neq \bar{X}b$: There are significant differences between the level of earnings management company before and after the adoption of IFRS.

Based on calculations using SPSS output obtained at 4:11 the following table:

Table 4.11
Average Discretionary Accruals Before and After Adoption of IFRS
Paired Samples Statistics

	Mean	N	Std. Deviation	Std. Error Mean
Pair 1 before IFRS	.0009	26	.00162	.00032
after IFRS	.0026	26	.01111	.00218

Source: SPSS Output

At 4:11 table shows that the average discretionary accrual of companies that became the object of research increased by 0.0017 (0.0026 to 0.0009).

Table 4.12
Correlation Between Before and After Adoption of IFRS

	N	Correlation	Sig.
Pair 1 before IFRS & after IFRS	26	-.054	.795

Source: SPSS output

According to the table 4.12 above, it can be seen correlations or relationships between members of the couple is -0.054 with a significance level of 0,795. If the correlation squared it will show how much influence the adoption of IFRS on earnings management. Seen that the adoption of IFRS on earnings management is $-0.054^2 = 0.002916$ (0.2916%). So 0.2916% increase in earnings management due to the adoption of IFRS and the remaining 99.7084% due to other factors.

Table 4.13
Discretionary Accruals Before and After Adoption of IFRS

	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
				Lower	Upper			
Pair 1 before IFRS - after IFRS	-.00166	.01132	.00222	-.00623	.00291	-.749	25	.461

Source: SPSS output

According to the table 4:13 can be seen the difference between the average discretionary accruals between before and after the adoption of IFRS is -0.00166 (0.0009 to 0.0026). Standard deviation or standard deviation of the difference between before and after the adoption of IFRS is equal to 0.01132, t arithmetic on SPSS output is -0.749.

Basis for a decision:

Based on the comparison t count with t table:

- If the statistics count (number t output) > Statistical tables (tables t), then H₀ is rejected.
- If the statistics count (number t output) < Statistical tables (tables t), then H₀ unsuccessful rejected.

From the table t, obtained t (0.05; 25) is 2.060. For statistical tables can be found in the table t, by:

- The level of significance (α) is 5%
- df (degree of freedom) or degrees freedom sought by the formula: the number of data-1 or 26-1 = 25

Seen that t count is -0.749 with probability 0.461. It is because the probability figure that is, 0.461 > 0.05, then H₀ is not successfully rejected. It can be concluded that the earnings management (discretionary accruals) before and after the adoption of IFRS is relatively the same. Alternatively, the adoption of IFRS is less influence increase or decrease in earnings management company.

Discussion

Effect of IFRS adoption on Earnings Management

Partially

The results of the test statistic t values obtained show unsuccessful H₀ rejected. The results of the statistical test of significance (p-value) amounted to 0.710 > 0.05 (level of significance). Moreover, it can be seen also from the comparison between t count and t table that show t count amounted to 0.374 (Table 4:10), while t table 2,013 (Attachment 5). From these results it appears that t count < t table ie 0.374 < 2.013. In this study included some control variables, such as: size, financial leverage, market-to-book ratios, and institutional investors. Among the four control variables, financial leverage and market-to-book ratios are found to have no significant effect, and the size and institutional investors have a significant effect. So we can conclude that H₀ is not successfully denied that the adoption of IFRS and no significant negative effect on earnings management.

The results of this study are supported by previous studies that research conducted by Santy (2012), and Lin & Paananen (2006) shows the results that the adoption of IFRS has no effect on earnings management.

Adoption of IFRS may not be able to accommodate the specific characteristics of a country. This occurs because the IASB as a standard setter of IFRS has members who are mostly developed countries. Therefore, IFRS may not be entirely appropriate when implemented in a country that has different characteristics to the developed countries, so that the adoption of IFRS should be adapted to the characteristics of a country so that the process of harmonization can accommodate the different characteristics of these countries (Whardani 2009 in Santy, 2012).

Inconsistency in the application of IFRS adoption by the characteristics of a nation that can lead to failure to achieve the purpose of making this standard, which one of them as simplification of the various alternative accounting policies are allowed and expected to limit consideration management's policy towards earnings manipulation so as to improve the quality of earnings (Santy, 2012). Therefore, in order that the application of IFRS adoption can be effective and in accordance with the objectives and positive impact on the financial reporting it is necessary to consider differences in characteristics, in terms of both the company and the country at large. As in view of the positive accounting theory that the choice of the standard by the management is done by analyzing the costs and benefits of certain financial disclosure

relating to various individuals and resource allocation in the economy. In this case, the analysis may be associated with the environment in a country such as the characteristics of the company, the system of law enforcement, and market conditions, in addition to the applicable standards.

Simultaneously

That the simultaneous adoption of IFRS together with the control variables, namely, size, financial leverages, market-to-book ratios, and equity holdings by institutional investors and significant positive effect on earnings management (discretionary accruals). It shows the influence of the independent variable (the adoption of IFRS) and four control variables (size, financial leverages, market-to-book ratios, and equity holdings by institutional investors) to earnings management.

Hypothesis testing is done to determine the effect of the adoption of IFRS on earnings management (discretionary accruals) by F test showed F arithmetic 3,603 (table 4.9) > F table amounted to 2.42 (Appendix 5) in order to obtain simultaneous testing decision is to reject H₀. Of significant value can also be seen that the significance value less than 0.05. This indicates that changes to all independent variables and control variables simultaneously positive effect on discretionary accruals. The ability of the independent variables and the control variables explain discretionary accruals using R-square of 28.1% is explained by other variables. Significant differences on Earnings Management Between Before and After Adoption of IFRS.

Results of statistical analysis in the study showed that by Statistical analysis Paired t-test Test Two Samples (Table 4:11, 4:12 table, table 4:13) it can be seen that there is no significant difference on earnings management (discretionary accruals) before the adoption of IFRS (2010-2011) and after the adoption of IFRS (2012-2013). It can be seen from the average level of discretionary accruals prior to the adoption of IFRS, namely, amounting to 0.0009 (Table 4:11) and median discretionary accruals following the adoption of IFRS is larger, amounting to 0.0026 (Table 4:11). However, this difference was not statistically significant because of the significant value is cross your fingers (sig 2-tailed) of 0.461 (Table 4:13) is greater than the significance level $\alpha = 0.05$. These findings do not correspond with the expectations of the management of research that there is a decrease in earnings following the adoption of IFRS.

Differences in the characteristics of a company or country which can also lead to the implementation of IFRS adoption is not effective (Santy, 2012). State of the company form, the form of the state, economic conditions and market developments can be other considerations, as well as study reveals Callao and Jerne (2010) which shows the practice of discretionary accruals actually increased since the period of the implementation of IFRS so, it can be concluded that the IFRS may not be entirely appropriate when implemented in a country that has different characteristics. Another factor that can be considered findings through this study is about the time of enforcement of standards. Adoption of IFRS was a new force in Indonesia, the possibility has not been fully implemented in its entirety and effective so that they allow for the occurrence of earnings management.

Knot

Based on the results of research conducted to obtain empirical evidence of the effect of the adoption of IFRS on earnings management and earnings management level conditions between before and after the adoption of IFRS in the company's food and beverages sub-sector listed on the Stock Exchange, we can conclude the following as research results:

1. Effect of IFRS adoption on Earnings Management

1) Partial

Based on the partial test proved that the adoption of IFRS and no significant negative effect on earnings management (discretionary accruals). Among the four control variables, namely, financial leverage and market-to-book ratios are found negative and not significant, and the size and institutional investors positive and significant impact. This means any changes in the adoption of IFRS did not affect earnings management (discretionary accruals).

2) Simultaneous

From the test results simultaneously can be concluded that the adoption of IFRS together with the control variables, namely, size, financial leverage, market-to-book ratios, and equity holdings by institutional investors and significant positive effect on earnings management (discretionary accruals). This matter indicating that the changes in the independent variable and several control variables simultaneously affect earnings management.

2. The difference between the Earnings Management Level Condition Before and After Adoption of IFRS

Statistical analysis Paired t-test Test Two Samples were conducted also showed that there is no difference statistically significant earnings management level between before and after the adoption of IFRS. Alternatively, the adoption of IFRS is less influence increase or decrease in earnings management company.

The results of this study are consistent with previous studies that research conducted by Santy (2012), and Lin & Paananen (2006) shows the results that the adoption of IFRS has no effect on earnings management and no difference in earnings management between before the adoption of IFRS and after the adoption of IFRS.

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