THE EFFECT OF ASEAN'S CORPORATE GOVERNANCE SCORECARD AND COMPANY CULTURE ON PROFIT MANAGEMENT WITH ULTIMATE OWNERSHIP AS A MODERATING VARIABLE

Agustine Dwianika[1]
Etty Murwaningsari [2]

ABSTRACT

Income is closely related to company profits, but companies with poor income will usually have lower stock prices. Consequently, it is important for companies to have the ability to generate profits in the future. Earnings Management (EM) is an intentional intervention in external financial reports in order to obtain some private gain. This practice is especially important at the time of issuing debentures because if earnings are inflated, investors may pay an artificially high price. This study aims corcerning about GCG and corporate culture by using 4 parameters were able to influence earnings management by using ultimate ownership as a mediator for 40 manufacturing companies listed on the Indonesian Stock Exchange during 2013-2017 (200 year firms). To measure earnings management, current discretionary accruals were used as a proxy, based on the Stubben models (2010). Cultural are viewed from 4 perspectives (Clan, Adhrocracy, Market and Hierarchies) based on Fiordelisi and Ricci (2014); ElKelish and Hassan (2014). All of the regressions considered the fixed effects of the companies and the time series effects of the analyses. This research proves that Ultimate Ownership perfectly mediates the relationship between GCG with the Asean's Scorecard and corporate culture on earnings management. In addition, this study was measured using favorable control variables, asymmetric information, firm size, capital intensity and accrual basis. Profits have an effect on earnings management, while GCG, CLAN and HIER have no effect on earnings management. This study is expected to suggest a consideration for policy maker to concern about the role of ultimate ownership issues to control the management and decicion maker as well. Also expected to make a contribution to the investor and policy developments literature by demonstrating the impact of a ultimate ownership in a developing country. This study further contributes by providing comprehensive overview for decision-making by both companies and individuals, especially in making investment decisions related to the possibility of firm's earnings management practises.

Keywords: Revenue Management, Good Corporate Governance, Corporate Culture, Profitability, Information Asymmetry, Company Size, Capital Intensity, Accrual Based.

INTRODUCTION

The Panama Papers Scandal opened more than 11.5 million confidential documents made by company service provider Mossack Fonseca last year can prompt the Financial Transaction Reports and Analysis Center to continue investigating the names of Indonesian citizens who save their funds in "tax heaven countries". Accordingly, issues about people who recorded in the Panama Papers document that leaked some time ago. Consequently, as a result, leaders from a country, officials from the government, their relatives and close friends, from around 40 countries were revealed as investors.. Nevertheless, the core of of Panama Papers is the actual ownership or beneficial ownership (BO) of a company. In addition, the disclosure of the BO has been rolling for decades in the world of economy, finance and taxes, and openness has become the demand of all countries and the encouragement of various multilateral forums in the global realm, both through the G20 collaboration which initiated the organization of economic and development cooperation (OECD) as well as economic forums and other development cooperation.

Earnings Management (EM) in emerging markets is also interesting to be examined. According to Sulistyanto (2014: 55), the purpose of the earnings management is to deceive the users of financial statements. Viewed from the standpoint of accounting theory, earnings management is largely determined by the motivation of corporate managers. Different motivations will be resulting in different levels of earnings management, such as between managers who are also shareholders and managers who are not shareholders (Agustian, 2015). Although the above studies concentrated on the relevance of the revenues, our study provides no statistical significance in interpreting the variable of revenues to predict EM practices. It should be noted that, although earnings management literature has been broadly analysed in different sectors, the manufacture industry has been very likely to do in terms of earnings management practices. This is one of the reasons why we have decided to concentrate the study on this industry.The reason why we decided to focus on Indonesian manufacture industry was due to the fact that, despite the global financial crisis, this specific sector has seen a have enough stability to survive and still has attracted opportunities for foreign investors. In this context, we want to investigate whether this stability has been effectively realor, on the other hand, has been affected by earnings management policies as a special uniqueness to be discussed.
The aim of this study is to analyse whether the earnings management (EM) practices are influenced by GCG, culture and ultimate ownership in the context of Indonesian listed companies belonging to the manufacture industry. This papers attempts to answer a prior call for research on earnings management practices in specific industries (Dwianika & Augustine, 2018; and Guoping Liu & Jerry Sun, 2010).

Manufacturing is one industry that is considered large and is a business that operates machinery, equipment and labor in a process and stages carried out in manufacturing activities carried out according to the Standard Operating Procedure (SOP) owned by each work unit, starting from processing raw materials to make components or products, and make the operating stages of the raw material closer to the final form.

Picture 1.
Prediction of Increased Consumption and Market Opportunity in Indonesia
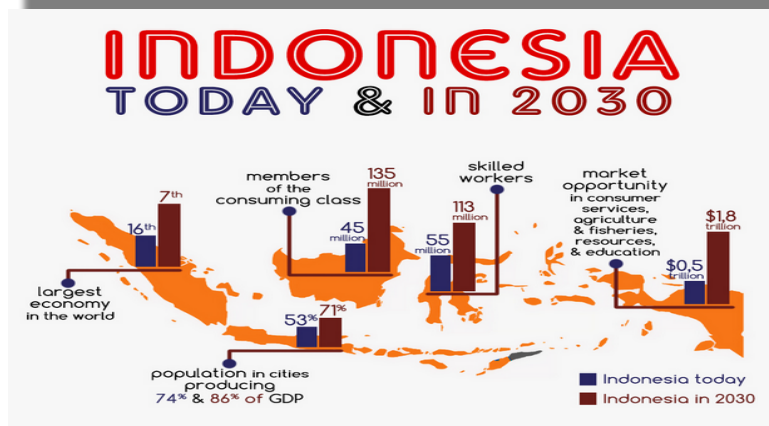
Source: *vistaeducation.com, access at Juli 2018*

Vista Education estimates that consumption and market opportunities from the manufacturing industry will continue to increase in 2030, especially in agriculture, for example in Cargill Indonesia's food manufacturing companies, sales and revenues, net income and cash flows from business activities continue to grow during 2016 and 2017. In 2017, Cargill has raised $ 109.7 billion in sales and other revenues. Adjusted operating income is $ 3.04 billion and net income is $ 2.84 billion. Cargill is a manufacturing company that reports financial results in accordance with General Applicable Accounting Principles (GAAP) in the United States. Moreover, this company also reports the best operating income, a non-GAAP financial measure that provides additional insight into the financial performance that underlies ongoing company operations that are expected to be in line with good governance. In fact, Bank Danamon and Bank CIMB Niaga were able to be included in the list of the Top 50 CG Implementation Firms in ASEAN, annouced at ASEAN Capital Award 2015 in Manila. Although, the Indonesian annexation is certainly still far behind Thailand, which is capable of placing 23 companies, Philippines 11 companies, Singapore 8 companies and Malaysia 6 companies.

Notwithstanding, organizational culture can be said to play a role in employee behavior, this can also be an opportunity to innovate and create something, an opportunity to think further, a good relationship, or the like and provide optimal job satisfaction and performance in an effort to achieve organization goals. Corporate culture includes transparency, company internal control, the company's ability to risk-taking in achieving certain goals, orientation to the market and standardization of procedures, regulations, control mechanisms and high accountability (Cameron and Quinn, 2006). Nevertheless, there is still little research linking between the ASEAN CG Scorecard, Culture, and the Direct Ultimate Ownership of Earnings Management.

LITERATURE REVIEW AND HYPOTESIS DEVELOPMENT
Corporate Governance, usually interpreted as a control system that is built to maintain the company, so that good, fair and transparent relationships are created for various related parties and stakeholders in an organization (EOCD.org, 2018), this needs to be accustomed to creating a productive and healthy corporate culture. Accordingly, Sulistyanto (2014) stated that many companies in the world have made earnings management as a culture. In addition, this activity is not only in countries with business systems that have not been organized. However, carried out by companies in countries whose businesses have been organized, as in the United States. The examples of several accounting report scandal such as Merck, World Com, Enron and most of the companies in the US (Cornett, et al., 2008). According to Sanjaya (2016), the ultimate ownership is direct and indirect ownership of public companies. The direct ownership describes as a percentage of shares held by shareholders on their own behalf, indirect ownership is ownership of a public company through the ownership chain. This ultimate ownership can play a role in determining company policies that are expected to create good governance so as to reduce the practice of earnings management by management.

GCG became a very important issue, especially in Indonesia that was mostly affected. Previouse literature found that the GCG (RUPS, Independent Comissions proportions, Board of Director proportions, Audit Committee proportions, and activity of company secretary) and its negative effect on earnings management in manufacturing companies that were listed on the Stock Exchange (Alwi, 2012). The researchers put forward the following hypothesis:
H1: GC negatively affected on corporate earnings management.

Culture is very important in a business, becomes a foundation for a company, therefore it is natural for a company to change the experience, which is followed by changes in the old culture to new and often accompanied by resistance and rejection (Rukanda, 2013). Clan's culture is a workplace whose atmosphere is very friendly like a big family. Leaders are considered as

guides, maybe even like a father figure. Adhesive in this organization is the existence of shared loyalty and the existence of a surviving tradition. So that it is expected that with this culture, leaders can provide guidance and control the occurrence of earnings management practices that harm the company, so the second hypothesis is:

H2:Clan negatively affected on corporate earnings management

Achocracy's culture is based on energy and creativity. Members of the organization or employees are encouraged to take risks, experiment and think outside the box to get things done. The leaders or leaders of organizations are considered as innovators and entrepreneurs (entrepreneurs). Culture democracy encourages organizations or companies to develop by creating innovative products and services that respond quickly to market changes. Success in the cultural context of this adhocracy is to have new products and services and to be a pioneer of something new. So that it is expected that the higher the corporate adhocracy culture, the more increasing productivity, so that management has a tendency not to do earnings management , the company value already optimum (ElKelish and Hassan, 2014). The third hypothesis is as follows:

H3:Adhocracy negatively affected on corporate earnings management

Market culture is built on the basis of the dynamics of competition and the achievement of tangible results, the focus is on goals or results. Culture Type Organization This market is centered on the external environment, namely the customer. They prioritize customer interests or market share and company profits compared to employee satisfaction and human resource development. A common goal in a cultured organization is to get the biggest profits, get the biggest market share and defeat its competitors. Success in a characteristic organizational context, this market culture is to get the largest market share and become a Market Leader. When a company has become a market leader, the value of the company increases and management no longer needs to do earnings management (ElKelish and Hassan, 2014). The fourth hypothesis is as follows:

H4:Market negatively affected on corporate earnings management.

Culture of Organizations of Culture Types Hierarchy is based on structure and control. The work environment is formal and has strict controls. Leadership is based on organized coordination and monitoring with a culture that emphasizes efficiency and predictability. The value of this hierarchical culture is consistency and uniformity. Success in the context of organizations that adopt this hierarchical culture is reliable planning, high product and service quality, timely delivery and low operational costs. Management must ensure job certainty and predictability. With reliable and systematic planning, the achievement of profit targets can be maximized, so that earnings management is no longer needed (Cameron and Queen, 2006). The fifth hypothesis is as follows:

**H5:Hierarchical negatively affected on corporate earnings management**

The control rights can be motivated the controlling shareholder to manage their earnings, and entrench controlling shareholder to manage their earnings. Cash flow rights negatively influence earnings management, and It can be indicated the alignment effect (Sanjaya, 2016). So that the direct owner can control management from earnings management practices in relation to the controlling shareholder and ultimate owner. The last hypotesis is as follows:

H6:Ultimate ownership as the upper moderating variable negatively affects to GCG, CLAN, ADHO, MARK and HIER on corporate earnings management.

CONCEPTUAL FRAMEWORK

The GCG implementation is a constitute of stakeholders wanting to know and to monitor the development of the company and ensure company runs in accordance with regulations and is optimal in its operations in order to continue to prioritize the interests of stakeholders, especially the owners. GCG is expected to be a corporate culture that supports the creation of optimal performance and can minimize earnings management practices that harm stakeholders, the interests of getting appropriate information by all company owners, including ultimate owners, wider and tighter controls will be increasingly needed in order to reduce management practices corporate profits. Therefore researchers propose a research model such as the following:

Picture 2. Conceptual Frame Work
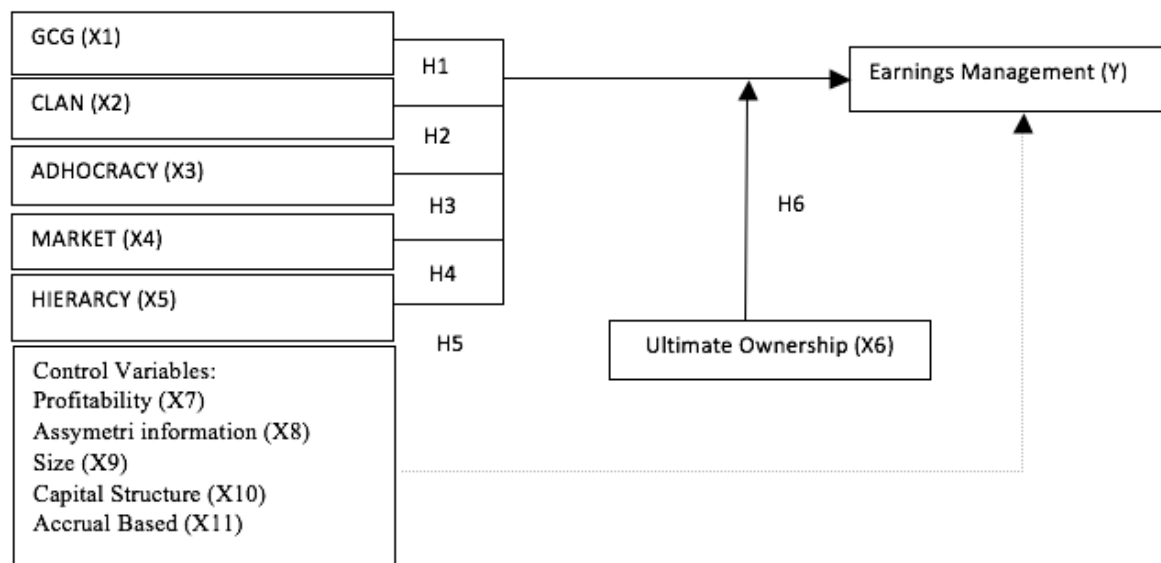
There are some evidence form previous study to support conseptual frame work above such as GCG has negative effect on earnings management in manufacturing companies (Alwi, 2012); Culture has a stronger relation with earnings smoothing than with earnings discretion, and cultural dimensions explain a greater percentage of the variation in aggregate earnings management and earnings smoothing than do investor protection variables (Doupnik, 2008). The controlling shareholder manipulates earnings to hide the acquired private benefits through expropriation, this has the potential to reduce earnings management practices (Sanjaya, 2011). Also, firms with debt based capital structure have creditors acting as watchdog on its earning management practices (Naz et al, 2011).

RESEARCH OBJECTS AND METHODOLOGY
The objects of this study are 40 manufacture firms listed in BEI during the 2013-2017 observation year , with descriptive methods and regression analysis as the population. Measurement of Good CG (independent), which has been regarded as a professional management method without conflict with interests / influence / pressure from parties that are not in accordance with applicable regulations and sound corporate principles, the researcher calculates compliance with ASEAN CG Scorecard principles by using a nominal scale.

The reason why we decided to focus on Indonesian manufacture industry was due to the fact that, despite the global financial crisis, this specific sector has seen survive and still has attracted opportunities for foreign investors. In this context, we want to investigate whether this has beeneffectively realor, on the other hand,has been affected by earnings management policies. Many expert predicted that Consumption and Market Opportunity in manufacture industry will be increased, at least until 2030. Indonesian government continues to improve the manufacturing sector in order to achieve higher economic growth rates and become an upper-middle income country, told joint publication report of the Asian Development Bank (ADB) and the National Development Planning Board in Jakarta, on Friday Feb 8, 2019. This policy could have a positive impact on the growth of the manufacturing sector and lead to increasingly fierce competition between manufacturing companies to be able to increase investor interest. One of the things that is feared is if manufacturing companies do aggressive earnings management to get a lot of investors.

Cultural variables (independent) are viewed from 4 perspectives, namely Clan, Adhrocracy, Market and Hierarchies with each calculation as follows: 1) Clan culture focuses on the internal company, especially to employees and always strives to develop the competence of human resources they have (Fiordelisi and Ricci, 2014), namely the scale ratio between the total value of employee compensation divided by the total operating expenses. 2) Adhocracy culture is characterized by willingness risk-taking to achieve a pre-determined target. Thus, fluctuations in operating profit will be able to reflect on how management is more likely to tolerate risks from changes in financial indicators (ElKelish and Hassan, 2014), which are measured by reducing Operating Profit t with Operating Profit t-1, which is a scale of 3) Culture Market is a culture that has a future orientation in achieving return on assets, profitability and productivity. Thus, return on investment or abbreviated as ROI can be used as a financial indicator that can be used as a proxy to measure market cultural variables (ElKelish and Hassan, 2014), by dividing pre-tax profits with total assets. 4). Culture hierarchy is a culture characterized by the existence of authority in decision making, standardization, control mechanisms and high accountability (Cameron and Queen, 2006) as measured by the total cost of labor transactions divided by net income.

Accordingly, ultimate ownership (moderating variable) is a direct / indirect ownership of certain parties (Sanjaya, 2015), measured by dividing the ultimate total shareholding with the total outstanding shares in the company. The researcher used several control variables to strengthen: : 1) Profitability which is a proxy of ROA, namely Earning After Tax/Total Assets, 2)

Information asymmetry calculated by Ask Bid Spread value with the formula (ask, t - Bid, t) divided ((ask, t + Bid, t) 2) x one hundred percent 3). Size with Ln Total Assets, 4). Capital Structure is measured by debt to finance operations (Smith, Skousen, Stice and Stice, 2006), 5) Accrual Based as measured by net income minus cash flows from operating activities. EM as dependen is revenue, which is the difference of accounts receivable actual changes and accounts receivable's predictive changes. Annormal receiveble, will indicate the existence of earnings management (Stuben, 2010), with the following formula:

$$\Delta ARit = \alpha + \beta_1 \Delta ARit + \beta_2\ \Delta ARit\ x\ SIZEit + \beta_3\ \Delta ARit\ x\ AGEit + \beta_4\ \Delta ARit\ x\ AGEit\_Sqit + \beta_5\ \Delta ARit\ x\ GGR\_Pit + \beta_6\ \Delta ARit\ x\ GGR\_Nit + \beta_7\ \Delta ARit\ x\ GGMit + \beta_8\ \Delta ARit\ x\ GGM\_Sqit + €it$$

Remarks:
α= Intercep
Δ=Annual change
AR=Earnings Management
β_1- β_8= Coeficient
SIZE=Log Natural of Firm's Size
AGE=Firm's Age (years)
Sq=Square of Variable
GGR_Positif=Adjusted of median revenue growth in industry
GGR_Negative= Adjusted of median revenue growth in industry
GGM= Adjusted of gross margin at end of fiscal year in industry

Data analysis in this study was carried out using some test, such as the classic assumption, normality, multicolonearity, autocorrelation and heteroscedasticity, then hypothesis testing and multiple linear regression analysis were performed. The data result shown normal and free from multicolonearity, autocorrelation and heteroscedasticity. Subsequency, hypothesis testing is done, namely F test, t test and also multiple linear regression as an analysis, data distributed normaly and free from multicolonearity, also free from autocorrelation and free from heteroscedasticity.

RESULT AND DISCUSSIONS
This study has processed the data with IBM SPSS version 25. Futhermore, researcher shown the value implementation of the ASEAN CG Scorecard in Manufacture Company in Indonesia during 2013-2017 as like the following:

Picture 3. The Asean CG Scorecard Implementation in Indonesia Manufacture Industry (2013-2017)
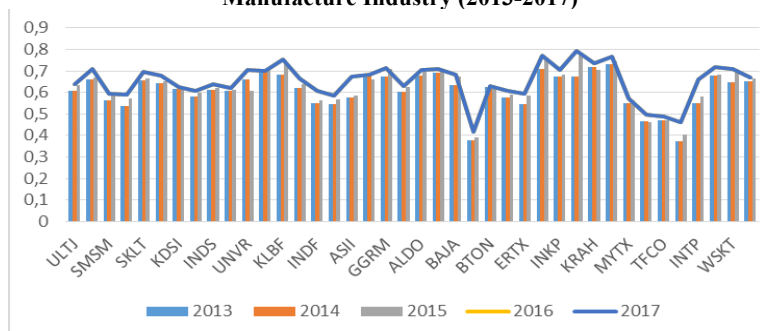

Sources: Data on Financial Statements processed (2018)

From the table above, it can be seen the GCG implementation each of company, by obtaining a minimum value of 0.3917 for Multi Bintang Indonesia Tbk and a maximum value of 0.7922, for Jembo Cable Company Tbk. While for the mean value obtained at 0.6293 with a standard deviation value of 0.10346.

Ultimate ownership has a minimum value of 0,000 for Ultrajaya Milk Industry and Trading Company Tbk and a maximum value of 2.2342 for Gudang Garam Tbk. Whereas for the mean value obtained is 0.5143 with a standard deviation value of 3.34509. While the Culture Clan obtained a minimum value of -0.001 for Indo Acidatama Tbk and a maximum value of 6.881 for Wijaya Karya (Persero), with the mean obtained at 0.0027 and the standard deviation of 1.76180. The Adhocracy culture obtained a minimum value of -0.0354, for Indah Aluminum Industry Tbk and a maximum value of 41.007 for Waskita Karya (Persero). While for the mean value obtained 8.9496 of 0.98026. Culture Marketing obtained a minimum value of -.2456 for Tifico Fiber Indonesia Tbk and a maximum value of 4.9104 for Multi Bintang Indonesia Tbk. While for the mean value obtained 2.1124 of 2.14285. The Hierarcy Culture has a minimum value of -7.3152 for Indomobil Sukses International Tbk and a maximum value of 1253.8428 for Alumindo Light Metal Industry Tbk, with a mean value of 8.1531 of 1.36049. The Ultimate Ownership data on sample companies can be seen as in the following chart:

Picture 4. The Ultimate Ownership of Manufacture Industry in Indonesia (2013-2017)
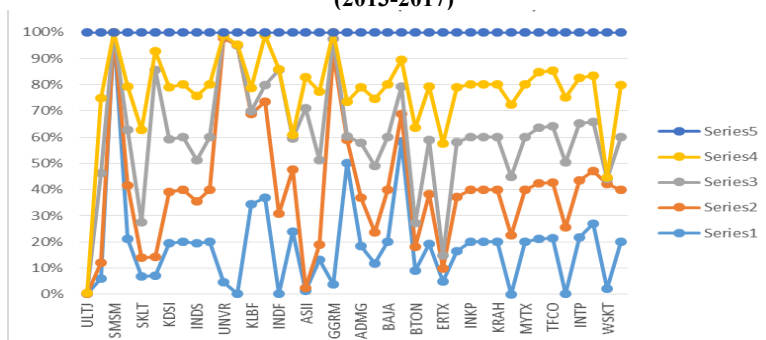
Sources: Processed Financial Report (2018); Series 1-Series 5 means 2013-2017.

To ensure independent dependence, the researcher conducted a normality test, which showed that it was normally distributed. Then the autocorrelation test, the result is no problem of autocorrelation in the data being tested. Then the Hesteroscedasticity test results are the same and do not have autocorrelation in the data tested. Finally, multicollinearity tests with the results of two independent variables have no multicollinearity correlation and can be used to forecast an earnings management during the observation period. Then the researcher tested the data analysis with the following results:

Table 5. F Test Result Withouth Moderating Effect
ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	960.622	8	120.078	2.855	.005[b]
	Residual	8034.479	191	42.065		
	Total	8995.102	199			

a. Dependent Variable: EARM

b. Predictors: (Constant), SIZE, ROA, HIER, CLAN, SPRE, ADHO, GCG, MARK, DER, AC

Table 6. F Test Result With Moderating Effect
ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	964.782	9	107.198	2.536	.000[b]
	Residual	8030.319	190	42.265		
	Total	8995.102	199			

a. Dependent Variable: EARM

b. Predictors: (Constant), SIZE, ROA, HIER, ULTO_, SPRE, ADHO, GCG, MARK, CLAN, DER, AC

From the two tables of the results of F test above it can be knew that the ultimate ownership variable is moderation and increases the significance value of the effect of the both dependent and independent variable. From the table above it is known that the results of the Anova test or F count are 2.855 (non-moderating test) and 2.5336 (with moderation) and with probability (sig) 0.005 (without moderation) and with a value of 0,000 (with moderation) both of which value is more small than 0.05 then H6 is accepted. In addition, based on F table of 2.23, then F count> F table (2.855 or 2.5336> 2.16), it can be suppose that the regression model on Good Corporate Governance, Clan Culture, Adhocracy Culture, Marketing Culture, Culture Hierarcy, Profitability, Information Asymmetry, Company Size, Capital Intensity and Accrual Based have an effect on Profit Management with the moderating variable of ultimate ownership, can strengthen the relationship between independent and dependent.

Table 7. t Test Result

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.020	3.654		.553	.581
	GCG	-3.502	5.660	-.044	-.619	.537
	CLAN	-.004	.010	-.189	-.379	.705
	ADHO	-4.844	.000	-.253	-3.557	.000
	MARK	-1.640	1.317	-.094	-1.245	.115
	HIER	-.003	.004	-.048	-.692	.490
	ULTO_	-.301	.000	-.156	-.314	.108
	ROA	-7.305	4.059	-.135	-1.800	.074
	SPRE	-3.426	4.143	-.060	-.827	.112
	SIZE	-.024	.080	-.022	-.307	.109
	DER	-.844	.062	-.778	4.523	.005
	AC	-.064	.200	-.115	1.636	.010

Sources: Procced Data (2018)

According to 4.8 (table) it can be seen that GCG has a t count of -0.619 and t table of 1.995, it means (-0.619 <1.995) and also obtained a significance value of 0.537 which is greater than the significance level of 0.05 (0.537> 0.05) then testing shows that H1 is not accepted which means Fixed GCG has no significant effect on Earnings Management. Then the fixed GCG regression coefficient is -3.503, this states that every 1% increase in GCG remains, it will reduce management earnings by -3.503. Furthermore, based on 4.8 it can be seen that CLAN has a t count of -0.397 of 1.995 it means (-0,379 <1,995) and also obtained a significance value of 0.705 which is greater than the significance level of 0.05 (0.705> 0.05) then testing shows that H2 is not accepted which means that Clan Culture has no effect on company Profit Management. Then the CLAN regression coefficient is -0.004 where it shows that for every increase of 1% CLAN, the effective tax rate will decrease by 0.004.

Futhermore, on 4.8 we can be seen that ADHO has a t count of -3.357 and t table of 1.995, smaller than than t table (-3,357 <1,995) and also obtained a significance value of 0,000 which is greater than the significance level of 0.05 (0,000> 0.05). Result shows that H3 is accepted, which means that the Adhocracy's culture influences earnings management. Therefore, the Adhocracy regression coefficient is obtained as -4,884 where it shows that every 1% increase in Adhocracy will reduce earnings management by 0,042. Moreover, based on table 4.8 MARK has a t count of -1.245 and t table of 1.995. Result shown that t count is smaller than t table (-1,245 <1,995) and a significance value of 0,115 (two tile) is obtained, so if divided by 2 it becomes 0,050 which is equal to the significance level of 0.05 (0.050> 0.05) the testing shows that H4 is accepted for Marketing Culture, and proved to be significantly influentialial on Earnings Management. Nevertheless, the regression coefficient obtained by the proportion of independent board of commissioners -1,640 where this shows that every 1% increase in the proportion of Marketing Culture, it will reduce Earnings Management by 1,640. Furthermore, 4.8 shown that HIER has t count of -0.692 and t table of 1.995, it means (-0.6692 <1.995) and also obtained a significance value, that is 0.490. That value is greater than 0.05, therefore H5 is accepted which means that the hierarchical culture has a significant effect on the effective tax rate. Then obtained the regression coefficient of institutional share ownership -0.003 where this shows that every 1% increase in Hierarchic Culture, it will reduce Earnings Management by 0.003.

Furthermore, based on table 4.8 seen the Ultimate Ownership (ULTO) as a moderating variable, the results of hypothesis testing have t count of -0.314 and t table of 1.995, that t count is greater than t table (0.314> 1.995) and obtained a significance value of 0.108 (two tiles) and if divided by two to 0.05 then testing shows that H6 is accepted which means moderating proven to influence Earnings Management. Then the moderating regression coefficient obtained -0.301 where it shows that every 1% increase in Ultimate Ownership as a moderating variable, it will reduce earnings management by 0.301. For the Profitability control, Information Asymmetry, Company Size, Capital Intensity and Accrual Based control variables, it can be seen that overall the negative effect on profit management. This seems like value of significance and Beta on each variable, and the model equation be obtained as:

$$Y = 2.020 - 3{,}502X1 - 0{,}004X2 - 4{,}4884X3 - 1{,}640X4 - 0{,}003X5 - 0{,}301X6 - 7{,}305X7 - 3{,}426X8 - 0{,}024X9 - 0{,}884X10 - 0{,}064X11 + 3{,}654$$

Remarks :

Y = Earnings Management	X3 = *Adhocracy's Culture*	X7=Profitability
α = Intercep Model	X4 = *Marketing's Culture*	X8=Assym Information
β = Coeffisien Regression	X5 = *Hierarcy's Culture*	X9=Firm's Size
X1 = GCG	X6 = Ultimate Ownerhsip	X10=*Capital Intensity*
X2 = *Clan's Culture*	e = *Error term*	X11=Accrual

The influence between independent variables in dependent by using ultimate ownership as moderating variables, and the control variables Profitability, Information Asymmetry, Company Size, Capital Intensity and Accrual Based have proven corporate earnings managements practice. In this study, the results showed that there was no effect of GCG on the practice of corporate earnings management (H1 can be certainly be rejected), this study was not in accordance with previous researches owned by Suryanto and Grima (2018), which said that three GCG measurements were used with the audit report approach the end that affects corporate governance and earnings management and reduces deviant behavior.

It appears that there is no influence from the Clan Culture on the practice of corporate earnings management (H2 is rejected), from the results of the tests conducted. As far as the knowledge of the researcher, there has not been a similar study that examines the influence of corporate Clan culture on the practice of corporate earnings management, but rather concerns the company's accounting environment. Clan culture has no effect on earnings management practices because almost all sample companies are large manufacturing companies and already understand that a good, friendly and comfortable corporate environment is very necessary for employees to continue to survive in the company.

There is influence from the Adhocracy Culture on the practice of corporate earnings management (H3 is accepted), there has not been a similar study that examines the effect of the corporate Adhocracy culture on the corporate earnings management practices. However, it can be analyzed that a culture that shows the growth of the organization through creativity, innovation, vision development, openness to change, adaptability, continuous improvements made by the company, the existence of creative solutions, every problem that arises and anticipation of future risks, can reduce the practice of earnings management carried out by management, so that financial statements are expected to be more relevant. Market culture has been shown to influence the practice of corporate earnings management (H4 accepted). As far as the knowledge of the researcher, there has not been a similar study that aims the influence of corporate Market culture on the practice of corporate earnings management specifically.

The results of the study prove that Market Culture can significantly reduce the level of practice of sample company earnings management, this is possible because the company has understood that the existence of income earnings as a corporate goal, by striving to continue to increase market share, increase more aggressive business competition, increase work productivity , and maintaining good relations with external parties can increase company profits in real terms and further reduce the practice of earnings management that aims to increase income to achieve good manager performance.Moreover, the result shown that there is no influence from hierarchical culture on the practice of corporate earnings management (H5 is accepted). As far as the knowledge of the researcher, there has not been a similar study that examines the influence of corporate hierarchical culture on the practice of corporate earnings management in depth. The results of this study can indicate that the hierarchical culture is able to influence the practice of corporate earnings management, this can be due to the majority of sample companies already have SOPs that aim for good planning, efficient systems and processes, cost reduction, making appropriate policies, predicting the future so that it can minimize errors and suppress earnings management practices. Although the SOPs that are made do not necessarily capture clearly the efforts of company managers in intervening or influencing information in financial statements with the aim of making financial statements close to the desired results of owners who want to know the company's performance. Accordingly, the result shows that there is the effect of ultimate ownership as a moderating variable on the influence of GCG, CLAN, ADHO, MARK and HIER on the practice of corporate earnings management (H6 accepted).

There is limited study to examine the effect of the company's ultimate ownership on the practice of corporate earnings management directly by linking the variables mentioned before. This study is to obtain the influence of GCG, Clan Culture, Adhocracy Culture, Marketing Culture, Hierarchy Culture, Profitability, Information Asymmetry, Company Size, Capital Intensity and Accrual Based have an effect on Profit Management with ultimate ownership as a variable moderation in a empirical evidence. The results of the research that has been carried out on the formulation of the problem using multiple regression analysis can be concluded as bellow:

1. The result shows that there is no effect of GCG on corporate earnings management practices (H1 is rejected), and contrary to Alwi (2012), which states that GCG has a negative effect on earnings management in the manufacturing sector. This can be caused because in this study using GCG measurements that refer to the Asean Scorecard which during the measurement period (2013-2017) not necessarily all companies in the sample have implemented GCG that refers to the Asean Scorecard completely. So that in the future, companies in the sample, especially the manufacturing sector, are expected to be more comprehensive in implementing GCG that refers to the ASEAN Scorecard so that they can control the practice of earnings management.

2. There is no influence from Clan Culture on the practice of corporate earnings management (H2 is rejected). It can be concluded that employees in sample companies do not want to always develop their competencies. This can depend on compensation obtained by employees and companies, so that the practice of earnings management is not detected by efforts to raise employee salaries. This is in accordance with the evaluation of Liberty and Zimmerman (1986) on annual contracts of 105 companies in 1965-1981 and against 85 companies quarterly contracts in 1974-1981 inconsistent with the hypothesis that managers have incentives to report earnings lower than they should during the negotiation process labor contract.

3. This study shows that there any influences of the Adhocracy Culture on the practice of corporate earnings management (H3 is accepted). So it can be concluded that the existence of a culture of risk taking companies can influence on earnings management, so that the more controlled the risk taking culture of the company, the better the practice of earnings management. The attention of managers in terms of investment is important and has a considerable collision on earnings

management practices. It is accordance to Man (2013) stated that directors with financial expertise can provide incremental control effects on earnings management, especially in firms with weak corporate governance.

4. Also, the results show that Market Culture affected on the practice of corporate earnings management (H4 is accepted), so it can be concluded that the existence of a sales and marketing oriented culture that is appropriate and monitored, the possibility of companies making management of company profits will be smaller or under control. For example, if a company implements a marketing culture that is oriented towards the results of marketing activities in real terms such as seeking aggressive promotion, marketing cost efficiency, maintaining the quality of relationships with external parties, it will minimize the possibility of management doing earnings management practices that can harm the interests of owners and stakeholders other. It is contrary to Hartono (2018) that stated earnings management through accrual and do not affect market performance (market agresiveness culture), because in the longterm period investor have many relevance information apart from financial statements to decide on investment.

5. Nevertheless, there is no influence from Hierarchical culture on the practice of corporate earnings management (H5 is accepted), so it can be concluded that clarity of authority and duties also job responsibilities can influence the company earnings management practices, this can be caused by companies in the sample are large companies which as a whole already has a clear rules and job description for each part that is authorized and responsible for preparing financial statements. This is accordance to statement "with reliable and systematic planning, the achievement of profit targets can be maximized, so that earnings management is no longer needed" (Cameron and Queen, 2006).

6. Conversely, in this study shows that there is the effect of ultimate ownership as a moderating variable on the influence of GCG, CLAN, ADHO, MARK and HIER on the practice of corporate earnings management (H6 accepted). It can be concluded that direct or indirect ownership of certain parties in the company that tend to have the right to control, affects the practice of company management. The owner of the right of control may give an intervention to the company to do or not practice earnings management, depending on the decisions taken by the owner of the right of control. The result supported to findings by Sanjaya (2015).

The theoretical implication for further research is that the results can be a reference for further literature, and to expand research which examines how the influence of Good Corporate Governance, Clan Culture, Adhocracy Culture, Marketing Culture, Hierarcy Culture, Profitability, Information Asymmetry, Size The company, Capital Intensity and Accrual Based has an effect on Profit Management with ultimate ownership as a moderating variable. Previous research that combines these variables is still very rare, especially using the Asean Scorecard measurement GCG, the use of cultural variables categorized into 4 measurements and usage ultimate ownership as moderating. This study is expected to suggest a consideration for policy maker to concern about the role of ultimate ownership issues to control the management and decicion maker as well. Also expected to make a contribution to the investor and policy developments literature by demonstrating the impact of a ultimate ownership in a developing country. Futhermore, this research has a significant contribution to the realm of practice, including the results of research. Moreover, it can be used as consideration in decision-making by both companies and individuals, especially in making investment decisions related to the possibility of firm's earnings management practises.

The researcher suggested that the similar research is still very much needed to be developed more widely by using data that is more comprehensive and compared in a wider scope, such as ASEAN or Asia Pacific and with industry samples not only limited to manufacturing. Nevertheless, next research can be used sample of banking, LQ45 and or 100 Top Company Lited by. Moreover, the use of other variables that are thought possible to have an influence on management practices more broadly, such as the example of earnings management research is associated with auditor competencies, corporate leadership training programs, or risk management efforts undertaken by the company in order to ensure that there is no information asymmetry that can harm agents or stakeholders in making investment decisions.

REFERENCES

Abbas, SZM., RA. Rahman. and A. Mahenthiran. 2009. Ultimate owner-ship and performance of Islamic Financial Institutions in Malaysia. Available at http:ssrn.com.123392.

Abdul Rahman, R. and Haneem Mohamed Ali, F. (2006) 'Board, audit committee, culture and earnings management: Malaysian evidence', Managerial Auditing Journal. Edited by R. Haniffa, 21(7), pp. 783–804. doi: 10.1108/02686900610680549.

Abidin, Z. dan Endri. 2009. Kinerja efisiensi teknis bank pembangunan daerah: pendekatan data envelopment analysis (dea). Jurnal Akuntansi Dan Keuangan. 11 (1). 21-29.

Agustian, Takdir R. (2015). Pengaruh Asimetri Informasi, Struktur Kepemilikan Manajerial, Ukuran Perusahaan dan Profitabilitas Terhadap Manajemen Laba Pada Perusahaan Perbankan Yang Terdaftar Di BEI.

Aldridge, John. E, & Siswanto Sutojo. (2008). Good Corporate Governance. Jakarta: PT. Damar Mulia Pustaka.

Alwi, R. 2012. Pengaruh Good Corporate Governance Terhadap Earnings Management. Thesis Universitas Gajah Mada. Yogyakarta. 1719-H-2012.

Bank Indonesia. 2010. Data kepemilikan ultimat bank. Laporan triwulan bank.

Barry, TA., SJ. Dacanay. L. Lepetit. and A. Tarazi. 2008. Ownership structure and bank efficiency in the Asia Pacific region. The European Commission ASIA-LINK Project B7-3010/2005/105139. Safety and Soundness of the Financial System.

Biswas, PK. and HU.Bhuiyan. 2008. Corporate governance and firm performance: theory and evidence from literature http://ssrn.com. Diakses tanggal 2 Desember 2010.

Bonin, J., I. Hasan. And P. Wachtel. 2005. Bank performance, efficiency and ownership in transition countries. Journal of Banking and Finance. 29 (1). 31–53.

Cameron, K. and Quinn, R. E. (2006). Diagnosing and Changing Organizational Culture: Based on the Competing Values Framework. Beijing: China Renmin University Press.

Chariri, A., and Ghozali, I., 2007, Teori Akuntansi (trans: Accounting Theory), Semarang: Badan Penerbit UNDIP, ISBN 979.704.014.3.

Churchill, G. A. (2005). Basic Marketing Research (5th ed.). Jakarta: Penerbit Erlangga.

Claessens, S., S.Djankov. and L.H.P. Lang. (2002). Expropriation of Minority Shareholders in East Asian, Journal of Finance 57.

Cornett, M.M., Marcus, A.J., Tehranian, H., 2008. Corporate governance and pay-for-performance: the impact of earnings management. Journal of FinancialEconomics 87, 357–373.

Corporate Governance. (2019, May 20). Retrieved from http://www.oecd.org/corporate/

Corporate Valuation. (2017). The Journal of Finance LVII (3).1147-1170.

Du, J. and Y. Dai. (2005). Ultimate corporate ownership and capital structures: evidence from east asian economies. Corporate Governance. 13(1). 60-71.

Doupnik , T. S. (2008) . Influence of Culture on Earnings Management: A Note. Abacus 44(3):317-340 • February 2008. University of South Carolina. DOI: 10.1111/j.1467-6281.2008.00265.x.

Dwianika. A and Augustine Y (2018). The Earning Management in Indonesia: The Effect of Firm's Size, Managerial Ownership's Structure and Profitability on Earning Management with Asymmetri Information and Green Intellectual Capital as Moderating Variables. Proceeding of Asia Pasific Management Accounting 14th International Conference in Waseda University, Japan.

ElKelish, WW dan Hassan, MK.(2014) "Organizational culture and corporate risk disclosure: An empirical investigation for United Arab Emirates listed companies", International Journal of Commerce and Management, Vol. 24 Issue: 4, pp.279-299, https://doi.org/10.1108/IJCoMA-06-2012-0035.

Faccio, M. and L.H.P. Lang. (2002). The ultimate ownership of Western European.Corporations, Journal of Financial Economics . 65. 365-395.

Febriayanto, R. (2005). The Effect of ownership concentration on the earnings quality: evidence from indonesian companies. Jurnal Riset Akuntansi Indonesia. 8 (2). 105-120.

Fiordelisi, Franco & Ricci, Ornella, 2014. "Corporate culture and CEO turnover," Journal of Corporate Finance, Elsevier, vol. 28(C), pages 66-82.

Gilson, R. J. and J. N. Gordon. (2003). Controlling Controlling Shareholders. http://papers. ssrn.com/abstract=41718. Diakses 14 September 2011.

Guoping Liu, Jerry Sun, (2010) Ultimate ownership structure and corporate disclosure quality: evidence from China, Managerial Finance, Vol. 36 Issue: 5, pp.452-467, https://doi.org/10.1108/03074351011039409.

Hartono, P.V.C. 2018. Accrual and Real Earnings Management Through Cash Flows Operating Activity Towards Market Performance. Jurnal Aplikasi Management. Vol 16 No. 3. Universitas Brawijaya.

Hopper, Grace. (2017). The Important of Company Culture. Computer Science and the BCS Academy. UK.

Horgren. Charles T, Walter T. Harrison and Linda Smith Bamber.(2006). Akuntansi, Edisi ke-6 Jakarta. PT Indeks Kelompok Gramedia.

Imadudin, Zaki., Swandari, Fifi ., dan Redawati. (2014). -Jurnal Wawasan Manajemen, Vol. 2, Nomor 1, Februari 2014

Jensen M.C. and W.H. Meckling. (1976). Theory Of The Firm: Managerial Behavior, Agency Costs And Ownership Structure, Journal of Financial Economics, 3 (4): 305-360. Ssrn id 94043. Diakses 20 Januari 2011.

Kun Su, Rui Wan, Bin Li, (2013) "Ultimate ownership, institutionality, and capital structure: Empirical analyses of Chinese data", Chinese Management Studies, Vol. 7 Issue: 4, pp.557-571, https://doi.org/10.1108/CMS-09-2013-0175.

Kit Fai Pun, Surujdaye Jaggernath-Furlonge, (2012) "Impacts of company size and culture on quality management practices in manufacturing organisations: An empirical study", The TQM Journal, Vol. 24 Issue: 1, pp.83-101, https://doi.org/10.1108/17542731211191249.

Liberty dan Zimmerman, 1986, Labor Union Contract Negotiations and Accounting Choices. Journal Accounting Review. American Accounting Association. ISSN: 0001-4826 (print); 1558-7967 (web).

Lukviarman. (2004). Ownership structure and firm performance: the case of Indonesia, Thesis. Curtin University of Technology.

Man , C. (2013). Corporate Governance and Earnings Management: A Survey of Literatures. The Journal of Applied Business Research – March/April 2013 Volume 29, Number 2.

Michael Novak. (2000). Defining Social Justice. Jurnal First Things.

Narjess Boubakri, , Omrane Guedhami, , Oumar Sy, (2008), Corporate governance and ultimate control, in J. Jay Choi, Sandra Dow (ed.) Institutional Approach to Global Corporate Governance: Business Systems and Beyond (International Finance Review, Volume 9) Emerald Group Publishing Limited, pp.385 – 413.

Naz, I., Batti K., Ghafoor A., and Khan H.H., (2011). Impact of Size and Capital Structure on Earnings Management: Evidences from Pakistan. Copyright © 2011. Academy of Knowledge Process 23. International Journal of Contemporary Business Studies Vol: 2, No: 12. December, 2011 ISSN 2156-7506 Available online at http://www.akpinsight.webs.com.

Pacheco Paredes, A. A. and Wheatley, C. (2017) 'The influence of culture on real earnings management', International Journal of Emerging Markets, 12(1), pp. 38–57. doi: 10.1108/IJoEM-12-2014-0218.

Palenzuela, VA. and MS. Mariscal. (2007). The Ultimate Controlling Owner of Spanish Commercial Banks. www.google.co.id. ssrn-id1152342. Access on Aug 12, 2010.

Prediction of Increased Consumption and Market Opportunity in Indonesia. (2018, July 16). Retrived from www.vistaeducation.com/finance.

Razak, NHA., R.Ahmad. and HJ. Aliahmed. (2008). Ownership structure and corporate performance" A comparative analysis of Governance linked and Non-goverment linked companies from bursa Malaysia.

Rukanda, Yobi Pratama. (2013). Analisis Pemetaan Budaya Organisasi menggunakan Organizational Culture Assessment Instrument pada PT Njonja Meneer. Skripsi Tidak Dipublikasikan. Semarang: Universitas Diponegoro.

Rogers, P., ABT. Dami., KCDS. Ribeiro. and AF. Sousa. (2007). Corporate Governance and Ownership Structure in Brazil: Causes and Consequences. Journal of Corporate Ownership & Control. 5 (2) 1-27.

Sanjaya, IPS. (2016). Efek Entrenchment and Alignment pada manajemen laba. Simposium Nasional Akuntansi Vol VIII, Pp 1-26.

Sanjaya, I. Putu Sugiartha, The Influence of Ultimate Ownership on Earnings Management: Evidence from Indonesia (2011). Global Journal of Business Research, Vol. 5, No. 5, pp. 61-69, 2011. Available at SSRN: https://ssrn.com/abstract=1874919.

Scott, W. S. (2011). Financial Accounting Theory (6th Ed.). Canada: Prentice Hall.

Sulistyanto, H. S. (2014). Manajemen Laba. Jakarta: PT. Gramedia Widiasarana Indonesia.

Suryanto, T. and Grima, S. (2018) 'The Corporate Decision in Indonesia: A Result of Corporate Governance Requirements, Earning Management and Audit Reports', in, pp. 183–206. doi: 10.1108/S1569-375920180000099009.

Stephen R. Stubben. (2010). Discretionary Revenues As A Measure Of Earnings Management. The Accounting Review Vol. 85, (2), Pp. 695–717.

Sutrisno. (2009). Manajemen Keuangan, Teori, Konsep dan Aplikasi. Yogyakarta: Ekonesia.

Walaa Wahid ElKelish, Mostafa Kamal Hassan, (2014) "Organizational culture and corporate risk disclosure: An empirical investigation for United Arab Emirates listed companies", International Journal of Commerce and Management, Vol. 24 Issue: 4, pp.279-299, https://doi.org/10.1108/IJCoMA-06-2012-0035.

Warsono, Sony., Amalia, Fitri., dan Rahajeng, D.K. (2009). Corporate Governance Concept and Model Preserving True Organization Welfare. Yogyakarta: Center for Good Corporate Governance Fakultas Ekonomika dan Bisnis Universitas Gajah Mada.

Zhu, Z. a nd H. Ma. (2009). Multiple principalagent relationships, corporate-control mechanisms and expropriation through related party transactions: Evidence from China. International Research Journal Of Finance And Economics 31. 141-163.

Agustine Dwianika[1]
Faculty of Economic and Business
Trisakti University, Jakarta, Indonesia
Email: agustine.dwianika2017@gmail.com

Etty Murwaningsari [2]
Faculty of Economic and Business
Trisakti University, Jakarta, Indonesia
Email: Etty_nasser@yahoo.com