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THE EFFECT OF CORPORATE GOVERNANCE, EARNING POWER, AND AUDITOR INDEPENDENCE ON EARNINGS MANAGEMENT

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ABSTRACT
The purpose of this study was to analyze the effect of corporate governance which includes audit committee and institutional ownership, earning power, and auditor independence on earnings management. The sample of this study uses 60 data from 12 property and real estate sector companies listed on the Indonesian stock exchange for the 2016-2020 period using the purposive sampling method . This study uses panel data regression analysis, with the analytical tool using Eviews 9. The results of this study show that simultaneously the audit committee, institutional ownership, earning power, auditor independence have an effect on earnings management. Whereaspartially institutional ownership has a negative effect on earnings management, and earning power has a positive effect on earnings management. On the other hand , the audit committee and auditor independence have no significant effect on earnings management.

Keywords: Earnings Management, Corporate Governance, Audit Committee, Institutional Ownership, Earning Power, Auditor Independence

1. INTRODUCTION

Earnings management is one way that can be taken by management in managing the company through the selection of certain accounting policies, the goal itself is to increase net income and company value so that it can be in accordance with what is expected by management. In addition, earnings management can intervene in the process of preparing financial statements for external parties. So that it can level, increase and decrease profit reporting (Rosmiati & Ginting, 2019). As is the case with companies in stabilizing profits, where profit increases sometimes occur when the company is declining. This was due to support from several segments, such as the financing segment and growth in net sales accompanied by increases in several expense items. It can be notified, if there is a declining segment, there will be an increasing segment. This is done in order to stabilize profits. So it can be said that if there is an increase in general and administrative expenses, it can be stabilized by a decrease in selling expenses. One way to monitor earnings management practices is to audit reports on financial statements, in this case it can be seen through the use of corporate governance in a company. Corporate governance in this case aims to adjust various interests. There are several mechanisms that are often used in various studies on Corporate Governance, one of which is institutional ownership and audit committees. In general, institutional ownership is one of the tools that can monitor the company in carrying out its business activities. Where, companies with large institutional ownership can determine their ability to monitor management. Such monitoring becomes a very important function when institutional ownership is the basis for assessing actions. Another mechanism used is the audit committee. The audit committee is responsible for supervising external reporting, risk monitoring, and controlling processes for both internal and external

audit functions. One of the main indicators in measuring the performance of management responsibility is profit. Profit is an important component in financial statements, because increased profits from the previous period can be a determinant that the company's performance has become better. However, earnings information is often the target of engineering opportunism by management in maximizing its satisfaction which makes shareholders and investors lose out. However, earnings information can also be used as a guide in making investments that help investors or other parties in assessing earnings power (Sucipto & Simanjuntak, 2016).

Earnings power is a description of the company's ability to generate profits for a company. Often times the company during its operations tends to be unstable due to the influence of various factors, which causes high profit variations to occur (Taco & Ilat, 2016). But of all these things, an accountant must have integrity and objectivity in his professional duties, and each auditor is required to be independent from all interests or improper influence. Auditor independence is very influential on the detection of earnings management practices in a company. an independent auditor is one of the factors that is taken into account in reducing the occurrence of earnings management practices within a company (Qulub & Andayani, 2017). This study refers to a study (Rabiatun & Irianto, 2020) entitled The Effect of Corporate Governance on Earnings Management (Study on Food and Baverages Companies listed on the IDX in the period 2014-2018). The results of this study indicate that either partially or simultaneously the Corporate Governance variables, namely the composition of the independent board of commissioners, the size of the board of commissioners, the audit committee, constitutional ownership, and managerial ownership have a significant effect on earnings management.

The difference between this study and previous research is that this study uses the property and real estate sector listed on the Indonesia Stock Exchange for the 2016-2020 period. The reason for using the property and real estate sectors is because these sectors have broad prospects, so that taking into account earnings management is needed as a control in the continuity of the sector in development and other things. And there is the addition of new variables, namely Earning Power and Auditor Independence, as well as the research that will be used by using Eviews 9. Based on this the author conducted a study entitled "The Effect of Corporate Governance, Earning Power, and Auditor Independence on Earnings Management in Property and Real Companies. Estate listed on the Indonesia Stock Exchange for the period 2016-2020"

2. LITERATURE REVIEW

Positive accounting theory explains the observed accounting phenomena based on the reasons that cause an event to occur. This theory aims to explain and predict the consequences that occur if managers make certain choices. In this positive accounting theory, there is encouragement and motivation that forms the basis for earnings management (Oktavianna & Prasetya, 2020).

Earnings Management

A serious problem faced in finance is earnings management. The reason is because earnings management seems to have become a corporate culture that is practiced by all companies. the second reason is because of the causality caused by managerial engineering activities, which not only destroy the economic order but also the ethical and moral order (Satiman, 2019).

Audit Committee

The audit committee is a body established by the board of directors to audit operations and circumstances. This agency is tasked with selecting and assessing the performance of public accounting firms and their duties are to assist the commissioners in order to improve the quality of financial reports and increase the effectiveness and external audit (Sucipto & Simanjuntak, 2016).

Institutional Ownership

Institutional ownership in general can be a tool in monitoring the company in each of its business activities. Companies with large institutional ownership can indicate their ability to monitor management. This monitoring becomes an important function when institutional ownership becomes the basis for assessing earnings management actions (Raka & Suhartono, 2018). In this study, the authors use a ratio scale, namely from the percentage of share ownership by the institution to the company's share capital.

Earning Power

According to (Taco & Ilat, 2016) Earning power is often used by potential investors or shareholders to assess the company's efficiency in using company assets to generate profits. The level of earning power *is* determined from financial ratios and one of them is to use return on assets as a profitability ratio in the measurement that the author will use.

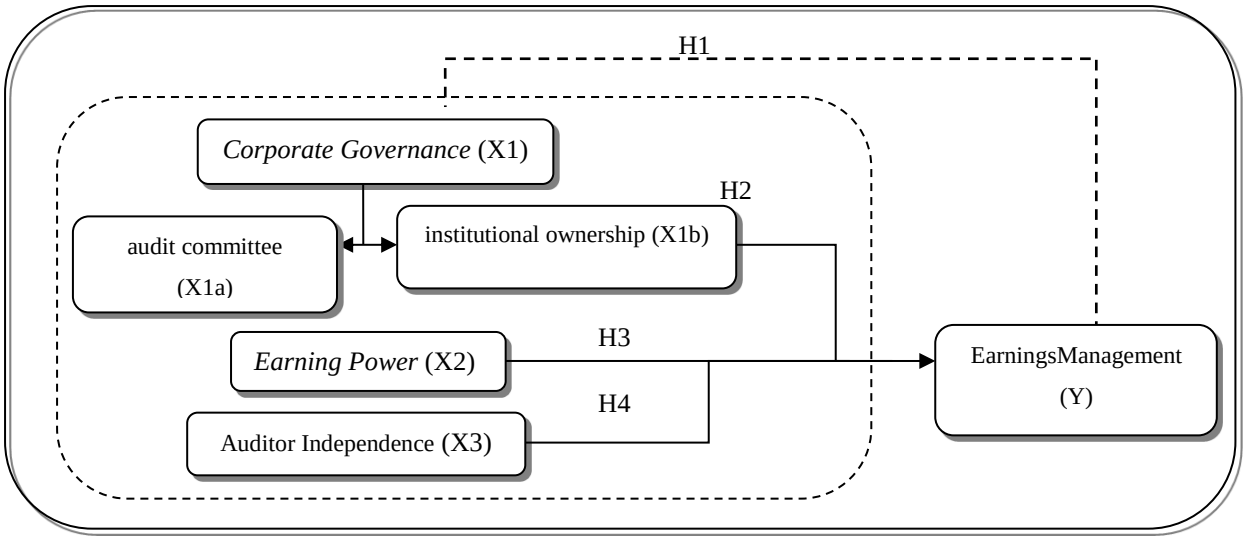
Auditor Independence

Independence is the attitude expected of a public accountant not to have a personal interest in carrying out his duties, which is contrary to the principles of integrity and objectivity. Because every accountant must maintain integrity and objectivity in his professional duties and every auditor must be independent from all interests or improper influence (Qulub & Andayani, 2017).

Skeleton Of Thought

The framework is a conceptual model of how the theory relates to various factors that have been identified as important issues. In this study, it shows the effect of the independent variable on the dependent variable of the study. The independent variable in this study is Corporate Governance which is divided into audit committee and institutional ownership and other variables, namely Earning Power , and Auditor Independence. While the dependent variable in this research is Earnings Management.

Figure 1 Framework



Hypotension Development

Effect of Corporate Governance, Earning Power, and Auditor Independence on Earnings Management

In this case, the influence of Corporate Governance, Earning Power and Auditor Independence on Earnings Management is suspected to have a simultaneous effect on Earnings Management. However, there is no previous research that explains the effect of these variables as a whole.

H1: The influence of *Corporate Governance* , *Earning Power* , and Auditor Independence is suspected to have an effect on Earnings Management.

Corporate Governance

Corporate Governance aims to create added value for all interested parties, as a form of implementation in realizing a healthy company performance (Rabiatun & Irianto, 2020). Corporate Governance can be done through a monitoring mechanism, including in this study using an audit committee and institutional ownership:

Influence of the Audit Committee on Earnings Management

In his research, (Sucipto & Simanjuntak, 2016) states that the audit committee simultaneously does not have a significant effect on earnings management. This is because the audit committee variable shows a probability value that is greater than the level of significance. while according to (Fitri & Triyanto, 2020) based on the results of hypothesis testing (simultaneous test) it can be concluded that the audit committee has a significant influence on earnings management. However, in the partial test the audit committee does not have a significant effect on earnings management. In research (Rabiatun & Irianto, 2020) stated that the Audit Committee based on data analysis and hypothesis testing results, concluded that either partially or simultaneously the Audit Committee variables had a significant effect on earnings management. So that the hypothesis can be formulated, as follows:

H2a: the audit committee is suspected of having an effect on earnings management

The Effect of Institutional Ownership on Earnings Management

In research (Widyaningsih, 2017) states that institutional ownership has no effect on earnings management. However, his research (Arifin & Destriana, 2016) states that based

on the results of data analysis and the results of hypothesis testing, it can be concluded that institutional ownership variables have a significant effect on earnings management and these results are in line with research (Fitri & Triyanto, 2020) which is based on simultaneous results. has a significant effect on earnings management, and partially has no effect on earnings management. So the hypothesis can be formulated, as follows:

H2b: Institutional Ownership is suspected of having an effect on earnings management

Effect of Earning Power on Earnings Management

The research conducted (Rosady & Abidin, 2019) states that Earning Power has no effect on earnings management. This happens because in his research on listed manufacturing companies, in this study he did not use earning power which is a profitability ratio as a variable used to practice earnings management.

Meanwhile (Taco & Ilat, 2016) based on the results of data analysis and discussion conducted, it can be concluded: Earning Power has no effect on Earnings Management. But collectively, Earning Power has a significant effect on Earnings Management. And in the research conducted (Raka & Suhartono, 2018) based on the analysis of the research results and discussions presented, it can be concluded that the Earning power variable has a positive effect on earnings management. So that the hypothesis can be formulated, as follows:

H3: *Earning Power is* suspected to have an effect on Earnings Management

Effect of Independence on Earnings Management

In his research (Rosmiati & Ginting, 2019) states that auditor independence does not simultaneously affect earnings management. This research is in line with research (Sucipto & Simanjuntak, 2016) which is based on the results of data analysis and hypothesis testing, it is concluded that both simultaneously and partially the auditor independence variable has no significant effect on earnings management. However, the research conducted (Qulub & Andayani, 2017) states that auditor independence has an influence on earnings management. The results of this study support research that has been carried out by previous studies. So that the hypothesis can be formulated, as follows:

H4: Auditor independence is suspected to have an effect on earnings management

3. DATA AND RESEARCH TECHNIQUE ANALISYS 3.1 Types of research

The type of research in this thesis uses associative research. This study is useful for finding the effect of the dependent variable, namely Earnings Management on the independent variables, namely Earning Power, Auditor Independence, and Corporate Governance with the Audit Committee and Institutional Ownership. The type of data used is quantitative in the form of secondary data obtained from www.idx.com.**Research and**

Measurement Variables

Earnings management in this study is measured by using Discrecctionary Accrual (DA) which is an accrual component derived from the results of management or manipulation of company management. Discrecctionary Accrual is calculated using the formula adopted from (Sucipto & Simanjuntak, 2016) as follows:

$$DA_{it=} TA_{it} - NDA_{it}$$

Information :

DAit = Discretionary Accruals of company i in period t
TAit = Total Accruals of company I in period t
NDAit = Non Discretionary Accruals of company i in period t

The audit committee has written work guidelines that define its duties and responsibilities and have been approved by the board of commissioners (Rabiatun & Irianto, 2020) The Audit Committee in this measurement was adopted from (Taco & Ilat, 2016) as follows:

$$KA = \frac{Amount\ External\ Audit\ Committee}{Total\ Number\ of\ Audit\ Committee}$$

Institutional ownership has the ability to control the management through an effective monitoring process so as to reduce earnings management. In this study, institutional ownership adopts the measurement (Arifin & Destriana, 2016) as follows:

$$INS = \frac{Number\ of\ Shares\ Institutional\ Investors}{\text{Total share capital outstanding}}$$

Earning Power is the ability to determine the efficiency of the company by looking at the size of a company in generating profits. Efficient companies cannot be seen only from large profits. Because whether or not a company is efficient can be seen by comparing the profit earned with the wealth or capital that generates the profit (Rosady & Abidin, 2019). In this study, the scale used in the Earning Power variable is a ratio scale that can be formulated by adopting the measurement (Raka & Suhartono, 2018) as follows:

$$ROA = \frac{\text{Net profit}}{\text{Total Assets}}$$

In this study, the measurement used on the auditor independence variable was adopted from (Rabiatun & Irianto, 2020) through the proxy for the length of the auditor's assignment, which was measured on a nominal scale with a dummy variable. Number 1 is used to represent companies that use the same auditor in 3 years, which means that they do not have an attitude of independence. The number 0 is used for companies that change their auditors in less than a year, which means they have an independent attitude.

The population in this study are Property and Real Estate Companies listed on the Indonesia Stock Exchange (IDX) from 2016 - 2020. The sampling technique in this study uses a purposive sampling technique, which is a sampling technique with certain considerations.

The data analysis method in this research is associative and verification analysis. The verification analysis in this study uses panel data regression analysis. The selection of panel data because in this study using a span of several years and many companies. The use of data in this study using time series and processed using statistical software EViews (Econometric Views) version 9

4. RESULTS AND DISCUSSION

There are around 79 companies in the property and real estate sector listed on the Indonesia Stock Exchange (IDX) as of January 2021 (idx.co.id, 2021). The research sample was determined using the purposive sampling method. Purposive sampling research can

identify that the sample used in this study is a representation of the existing population, and is in accordance with the research objectives. Based on the purposive sampling technique, obtained 12 companies that match the criteria that have been determined to be the object of research.

Description of Research Sample

Table 1 Research Table Selection Results

No	Sample Criteria	Criteria Violation	Company Accumulation
1	Property and Real Estate Companies listed on the Indonesia Stock Exchange for the period 2016-2020	(30)	49
2	Company Property and Real Estate were consistently present the financial statements and annual report for the period 2016-2020	(11)	39
3	Company Property and Real Estate were no losses during the period 2016-2020	(23)	15
4	Property and Real Estate Companies that have complete data for processing.	(3)	12
Number of samples: 12 x 5 years = 60 Samples			

Source: Data processed by researchers, 2021

There are 49 property and real estate companies in the 2016-2020 period. However, based on the results of the sample selection process, there were only 12 companies that matched the research criteria. The following is a list of names of property and real estate sector companies that pass the sample criteria:

Table.2 Sample Company List

No	Company Code	Company name
1	BCIP	BUMI CITRA PERMAI Tbk
2	CTRA	CIPUTRA DEVELOPMENTS Tbk
3	DILD	INTILAND DEVELOPMENTS Tbk
4	DUTI	DUTA PERTIWI Tbk
5	JRPT	JAYA REAL PROPERTY Tbk
6	KIJA	KAWASAN INDUSTRI Jababeka Tbk
7	MKPI	METROPOLITAN KENTJANA Tbk
8	MTLA	METROPOLITAN LAND Tbk
9	PWON	PAKUWON JATI Tbk
10	SMDM	SURYAMAS DUTA MAKMUR Tbk
11	SMRA	SUMARECON AGUNG Tbk
12	GPRA	PERDANA GAPURAPRIMA Tbk

Source: Data processed by researchers, 2021

Descriptive statistics

The results of descriptive statistics are the results of being able to find out the average value, median value, maximum value, minimum value, and standard deviation value etc. The results of descriptive statistics are not used to make conclusions, but to describe the sample data used in the study.

Table 3 Descriptive statistics

	EM	AC	IO	EP	AI
mean	-0.003961	0.668056	0.585641	0.054668	0.483333
median	-0.009037	0.666667	0.691258	0.036723	0.000000
Maximum	0.089414	0.750000	0.966184	0.181388	1.0000000
Minimum	-0.105521	0.5000000	0.096471	0.003709	0.000000
Std. Dev.	0.036979	0.039092	0.269271	0.043502	0.503939
Skewness	0.145653	-1.928864	-0.371854	0.996565	0.066704
Kurtosis	3.459115	13.43857	1.795229	3.352734	1.004449
Jarque-Bera	0.739116	309.6147	5.011437	10.24247	10,00005
Probability	0.691040	0.000000	0.081617	0.005969	0.006738
Sum	-0.237673	40.08333	35.13845	3.280051	29,00000
Sum Sq. Dev.	0.080680	0.090162	4.277897	0.111655	14.98333
Observations	60	60	60	60	60

Source : EViews Statistical Output Version 9, 2021

Common Effects Model (CEM)

The Common Effects Model (CEM) or commonly referred to as the OLS regression model method is the simplest model where the approach ignores the time and space dimensions of panel data (Ghozali & Ratmono, 2020).

Table .4 Common Effects Model (CEM) Regression Results

Dependent Variable: Y
Method: Least Squares Panel
Date: 09/06/21 Time: 16:56
Samples: 2016 2020
Periods included: 5
Cross-sections included: 12
Total panel (balanced) observations: 60

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.134388	0.083274	1.613809	0.1123
AC	-0.223104	0.125808	-1.773373	0.0817
IO	-0.024428	0.018529	-1.318370	0.1928
EP	0.362446	0.123847	2.926551	0.0050
AI	0.010734	0.009152	1.172883	0.2459

R-squared	0.172695	Mean dependent var	-0.003961
Adjusted R-squared	0.112528	SD dependent var	0.036979
SE of regression	0.034837	Akaike info criterion	-3.796645
Sum squared resid	0.066747	Schwarz criterion	-3.622117
Likelihood logs	118.8994	Hannan Quinn Criter.	-3.728378
F-statistics	2.870238	Durbin-Watson stat	1.901202
Prob(F-statistic)	0.031290		

Source : EViews Statistical Output Version 9, 2021

Fixed Effects Model (FEM)

Fixed Effects Model (FEM) is an approach in which the approach is carried out by entering the "individuality" of each company and each cross-sectional unit by making various intercepts for each company. However, it is still assumed that the slope coefficient is constant for each company.

Table 5 Fixed Effects Model (FEM) Regression Results

Dependent Variable: Y
Method: Least Squares Panel
Date: 09/06/21 Time: 17:22
Samples: 2016 2020
Periods included: 5
Cross-sections included: 12
Total panel (balanced) observations: 60

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.085517	0.119070	0.718207	0.4764
AC	0.034575	0.172504	0.200432	0.8421
IO	-0.255491	0.080474	-3.174834	0.0027
EP	0.523071	0.185803	2.815190	0.0073
AI	0.017493	0.011884	1.471941	0.1482

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.470410	Mean dependent var	-0.003961
Adjusted R-squared	0.289868	SD dependent var	0.036979
SE of regression	0.031162	Akaike info criterion	-3.876049
Sum squared resid	0.042727	Schwarz criterion	-3.317557
Likelihood logs	132.2815	Hannan Quinn Criter.	-3.657592
F-statistics	2.605545	Durbin-Watson stat	2.396897
Prob(F-statistic)	0.006927		

Source : *EViews Statistical Output Version 9, 2021*

Random Effects Model (REM)

Random Effects Model is an approach model used to overcome the weakness of Fixed Effect model which uses dummy variables .

Table 6 Random Effects Model (REM) Regression Results

Dependent Variable: Y
Method: Panel EGLS (Cross-section random effects)
Date: 09/06/21 Time: 17:38
Samples: 2016 2020

Periods included: 5
Cross-sections included: 12
Total panel (balanced) observations: 60
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.124938	0.081447	1.533982	0.1308
AC	-0.207691	0.122755	-1.691908	0.0963
IO	-0.030155	0.019495	-1.546789	0.1276
EP	0.394729	0.121994	3.235637	0.0021
AI	0.012269	0.008949	1.370973	0.1760

Effects Specification	SD	Rho
Cross-section random	0.009401	0.0834
Idiosyncratic random	0.031162	0.9166

Weighted Statistics

R-squared	0.184046	Mean dependent var	-0.003284
Adjusted R-squared	0.124704	SD dependent var	0.036078
SE of regression	0.033753	Sum squared resid	0.062661
F-statistics	3.101441	Durbin-Watson stat	1.993960
Prob(F-statistic)	0.022562		

Unweighted Statistics

R-squared	0.169306	Mean dependent var	-0.003961
Sum squared resid	0.067021	Durbin-Watson stat	1.864258

Source : *EViews Statistical Output Version 9, 2021*

Panel Data Regression Model Estimation

Table 7 Chow Test Results

Redundant Fixed Effects Tests
Equation: MODEL_FEM
Test cross-section fixed effects

Effects Test	Statistics	df	Prob.
Cross-section F	2.248645	(11,44)	0.0284
Cross-section Chi-square	26.764221	11	0.0050

Source : EViews Statistical Output Version 9, 2021

The results in table 4.7 show that the probability of a chi-square of 0.0050 is less than 0.05. Based on the decision criteria, in this model Ho is rejected and Ha is accepted. And it can be decided that the model used is the Fixed effects model .

Table 8 Hausman Test Results

Correlated Random Effects - Hausman Test
Equation: MODEL_REM
Test cross-section random effects

Test Summary	Chi-Sq. Statistics	Chi-Sq. df	Prob.
Cross-section random	13.527381	4	0.0090

Source : EViews Statistical Output Version 9, 2021

Based on the results of the Hausman test , obtained a probability of 0.0090 which indicates that the probability value is smaller than the significance level (0.05) so it can be concluded that Ho is rejected and Ha is accepted. Since the estimation of the model with 2 tests is consistent, it is not necessary to proceed to the Langerange Multiplier test.

Conclusion of panel data regression model selection

Based on the results of the tests that have been carried out, namely the Chow test, Hausman test, it can be concluded that the best model in this study is the Fixed Effects Model. Because the results of the model estimation with Chow and Hausman tests are consistent. The following is a recap of the results of the panel data regression model selection test in the following table:

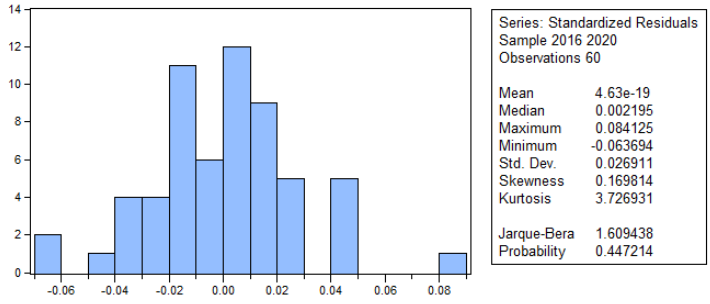
Table 9 Recap of the selection of panel data regression model test results

no	test	Common effects models	Fixed effects model	Random effects models
1	Test chow		√	
2	Hausman test		√	
	Selected models		√	

Source: processed from test results using eviews version 9, 2021

Classic assumption test

Figure 2 Normality Test Results



Source : EViews Statistical Output Version 9, 2021

Based on the Normality Test in Figure 4.1, it is known that the probability is 0.447214, which means the probability value is more than 0.05. This shows that the data distribution is normal.

Table 10 Multicollinearity Test Results

	EM	AC	IO	EP	AI
EM	1.0000000	-0.071600	-0.029029	0.289061	0.187269
AC	-0.071600	1.0000000	0.054495	0.370645	0.108741
IO	-0.029029	0.054495	1.0000000	0.394154	-0.043469
EP	0.289061	0.370645	0.394154	1.0000000	0.138139
AI	0.187269	0.108741	-0.043469	0.138139	1.0000000

Source : *EViews Statistical Output Version 9, 2021*

Based on the results in table 4.10, it can be seen that all correlations between independent variables do not have a value of more than 0.85. This means that in this regression model there is no multicollinearity or in this model there is no correlation between the independent variables.

Table 11 Heteroscedasticity Test

Heteroskedasticity Test: Glejser

F-statistics	0.839724	Prob. F(4.55)	0.5060
Obs*R-squared	3.453351	Prob. Chi-Square(4)	0.4850
Scaled explained SS	3.7201150	Prob. Chi-Square(4)	0.4452

Test Equation:
Dependent Variable: ARESID
Method: Least Squares
Date: 09/07/21 Time: 00:19
Samples: 1 60
Included observations: 60

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.007794	0.052829	-0.147541	0.8832
AC	0.047763	0.079812	0.598445	0.5520
IO	-0.009219	0.011755	-0.784315	0.4362
EP	0.082892	0.078569	1.055026	0.2960
AI	0.004139	0.005806	0.712809	0.4790

R-squared	0.057556	Mean dependent var	0.025247
Adjusted R-squared	-0.010986	SD dependent var	0.021980
SE of regression	0.022100	Akaike info criterion	-4.706799
Sum squared resid	0.026863	Schwarz criterion	-4.532271
Likelihood logs	146.2040	Hannan Quinn Criter.	-4.638532
F-statistics	0.839724	Durbin-Watson stat	1.920541
Prob(F-statistic)	0.505962		

Source : EViews Statistical Output Version 9, 2021

Based on table 4.11, the results of *the Heteroscedasticity Test* show that the value of *Obs*R-suared is* 3.453351 and *Prob. Chi-Square is* 0.4850 > 0.05, so it can be concluded that there is no *heteroscedasticity* assumption problem.

Table 12 Autocorrelation Test Results

Breusch-Godfrey Serial Correlation LM Test:

F-statistics	0.463324	Prob. F(2.53)	0.6317
Obs*R-squared	1.031010	Prob. Chi-Square(2)	0.5972

Source : EViews Statistical Output Version 9, 2021

Based on the results of the Autocorrelation Test shown in table 4.12, the value of prob. Chi-Square (obs*squared) of 0.5972 or > from 0.05, it can be concluded that there is no autocorrelation problem.

4.8 Panel Data Regression Analysis

According to (Ghozali & Ratmono, 2020) panel data technique is a technique that combines cross-sectional and time series data types which provide several advantages compared to the standard cross section and time series approach. The coefficient of determination f test.

Table 13 Panel Data Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.085517	0.119070	0.718207	0.4764
AC	0.034575	0.172504	0.200432	0.8421
IO	-0.255491	0.080474	-3.174834	0.0027
EP	0.523071	0.185803	2.815190	0.0073
AI	0.017493	0.011884	1.471941	0.1482

Table 14 Coefficient of Determination Results

R-squared	0.470410	Mean dependent var	-0.003961
Adjusted R-squared	0.289868	SD dependent var	0.036979
SE of regression	0.031162	Akaike info criterion	-3.876049
Sum squared resid	0.042727	Schwarz criterion	-3.317557
Likelihood logs	132.2815	Hannan Quinn Criter.	-3.657592
F-statistics	2.605545	Durbin-Watson stat	2.396897
Prob(F-statistic)	0.006927		

Source : *EViews Statistical Output Version 9, 2021*

Based on the results of the coefficient of determination in table 4.13, it is known that the Adjusted value is 0.289868 (28.986%). This illustrates that the independent variables together are able to provide an explanation of the dependent variable of 28.986%. The other 71.014% is explained by other variables that are not included in the model or explained in terms of error (e).

4.9 Hypothesis Results

Table 15 Simultaneous F Test Results

R-squared	0.470410	Mean dependent var	-0.003961
Adjusted R-squared	0.289868	SD dependent var	0.036979
SE of regression	0.031162	Akaike info criterion	-3.876049
Sum squared resid	0.042727	Schwarz criterion	-3.317557
Likelihood logs	132.2815	Hannan Quinn Criter.	-3.657592

F-statistics	2.605545	Durbin-Watson stat	2.396897
Prob(F-statistic)	0.006927		

Source : EViews Statistical Output Version 9, 2021

Based on the results of the F-test as simultaneous as shown in table 4.15 above, it can be seen that the probability value of the F-statistic is 0.006927 which means it is smaller than 0.05. Based on this value, it can be concluded that all values of the X variable have a significant effect on the Y variable.

Table 16 Partial T Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.085517	0.119070	0.718207	0.4764
AC	0.034575	0.172504	0.200432	0.8421
IO	-0.255491	0.080474	-3.174834	0.0027
EP	0.523071	0.185803	2.815190	0.0073
AI	0.017493	0.011884	1.471941	0.1482

Source : *EViews Statistical Output Version 9, 2021*

Based on the results above, the partial T test as shown in the table can be seen that:

1. The T value on the audit committee is 0.200432 and has a significant value of 0.8421, which is more than 0.05. Based on this value, it can be concluded that the audit committee has no significant effect on earnings management.
2. The T value on institutional ownership is -3.174834 and has a significant value of 0.0027, which is less than 0.05. Based on this value, it can be concluded that institutional ownership has a significant negative effect on earnings management.
3. The T value on earning power is 2.815190 and has a significant value of 0.0073, which is less than 0.05. Based on this value, it can be concluded that earning power has a significant effect on earnings management.
4. The T value on auditor independence is 1.471941 and has a significant value of 0.1482, which is more than 0.05. Based on this value, it can be concluded that auditor independence has no significant effect on earnings management.

Effect of Corporate Governance, Earning Power , Auditor Independence on Earnings Management

The effect of corporate governance which includes the audit committee and institutional ownership, earning power and auditor independence on earnings management based on simultaneous results (F test) has an effect on earnings management. This can be seen from the prob value (F-Statistic) of 0.006927 or less than 0.05 (0.006927 < 0.05) so that it can be concluded that H1 is accepted and H2 is rejected, which means audit committee, institutional ownership, earning power, and auditor independence. effect on earnings management. This is in line with research conducted (Taco & Ilat, 2016) which indicates that corporate governance, earning power, and auditor independence together can effectively hinder the improvement of earnings management in the company and is believed to be able to influence the course of a company. company to realize the company's goals in maximizing the value of the company.

The Effect of the Audit Committee on Earnings Management

The effect of the audit committee on earnings management based on results of the partial test (t test) obtained by value t test showed the coefficient value of 0.034575 and probability value or the significant value of 0.8421 which means greater than 0.05 (0.8421> 0.05) so that it can be concluded if the audit committee has no significant effect on earnings management. The results of this study are in line with the results of research (Taco & Ilat, 2016) which states that the audit committee has no effect on earnings management. This happens because the company's purpose in forming an audit committee is only to comply with government regulations.

The Effect of Institutional Ownership on Earnings Management

The effect of institutional ownership on earnings management based on results of the partial test (t test) obtained by value t test showed the coefficient value of -0.255491 and the value of the probability or the significant value of 0.0027 which is smaller than 0.05 (0.0027 <0.05) so that it can be concluded if institutional ownership has a significant negative effect on earnings management. The results of this study are in line with the results of research (Asyati & Farida, 2020) which states that institutional ownership has a negative effect on earnings management. This shows that the institution as an external party creates a greater supervisory effort so that a high proportion of institutional ownership is expected to reduce the motivation of managers to take earnings management actions that can harm investors.

The Effect of Earning Poweron Earnings Management

The effect of the earning power to earnings management based on results of the partial test (t test) obtained by value t test showed the coefficient value of 0.523071 and probability or significant value of 0.0073 which is smaller than 0.05 (0.0073 <0.05) so that it can be concluded if earnings power has a significant positive effect on earnings management. The results of this study are in line with research(Satiman, 2019) which states that earning poweraffects earnings management. This is because investors assume that high earning power will guarantee a return on investment, and will provide a decent profit. Therefore, the company must display good management performance so that the company's earning power can be seen to be maximally attractive.

Effect of Auditor Independence on Earnings Management

Auditor independence influence on earnings management based on results of the partial test (t test) obtained by value t test showed the coefficient value of 0.017493 and the value of the probability or the significant value of 0.1482 which means greater than 0.05 (0.1482> 0.05) so that it can be concluded if auditor independence has no significant effect on earnings management. This is in line with research conducted (Sucipto & Simanjuntak, 2016)which states that auditor independence has no effect on earnings management. This is because an independent auditor is taken into account in reducing the occurrence of earnings management practices. The relationship between auditors that is too long can possibly encourage the auditor to be less strict in carrying out audit procedures.

C**ONCLUSION**

Based on the results of the analysis, submission of hypotheses, and discussion, the following conclusions can be drawn:

1. Corporate Governance which includes the Audit Committee and Institutional Ownership, Earning Power, and Auditor Independence simultaneously affects Earnings Management.
2. The Audit Committee has no significant effect on Earnings Management.
3. Institutional Ownership has a negative effect on earnings management
4. Earning Power has a significant positive effect on Earnings Management
5. Auditor independence has no effect on Earnings Management

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