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URL : <http://journals.ums.ac.id/index.php/reaksi/index>



Profitability, Leverage, Firm Size, Liquidity, and Total Assets Turnover on Real Earnings Management (An Empirical Study on the Mining Company Classification Registered at Indonesia Stock Exchange (IDX) 2014-2017)

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Keywords:

profitability, leverage, firm size, liquidity, total assets turnover, and real earnings management

ABSTRACT

The aim of this research is to analyze the effect of profitability, leverage, firm size, liquidity, and total assets turnover on real earnings management. The population of this research is the classification of mining companies listed on the Indonesia Stock Exchange (IDX) in 2014-2017. The sampling method used a purposive sampling method and obtained as many as 80 companies. The data analysis method used multiple linear regression method. The results showed that the total asset turnover affected real earnings management. While profitability, leverage, firm size, and liquidity did not affect real earnings management.

INTRODUCTION

In general, companies are established based on what is often referred to as profit. The company will be considered a good one if the company can maximize and achieve profits. Conversely, the company will be perceived as an underperformed company if the profit gained is too small. According to the Statement of Financial Accounting Concept (SFAC) No. 1, earnings information is the main concern for assessing performance or accountability of the management. Besides, earnings information is also used by investors or other interested parties as an indicator of the efficient use of funds given to the company which is manifested in rates of return and indicators for prosperity improvement (Ghozali and Chariri, 2007: 350) in Winingsih (2017).

One of the company's benchmarks is profit which can be seen from the financial statements. Financial statements are a source of information regarding the condition and performance of a company for external parties or information users. This information concerns the financial position, changes in the financial position of a company, and is useful for users for decision making. Since earnings information is the main concern for assessing performance or management responsibility, earnings information is often used as a target for opportunist actions of management to maximize their gains despite it can harm investors. Opportunist action is the practice that allows the actor to benefit himself, the group, or a particular goal. Opportunist actions are carried out by choosing certain accounting policies so that the company's profits can be adjusted by marking up or decreasing the profit as desired. Behavior management to regulate earnings according to the expectation is called earnings management.

According to Schipper (1989) in Mukhtar (2016), earnings management is management intervention that is deliberately carried out by managers in the process of preparing financial statements by reducing or increasing profits without being associated with an increase or decrease in the company's economic profitability, the purpose is that managers benefit from the action. Meanwhile, another definition according to Merchan and Rockness (1994) in Marini (2017), earnings management is an action committed by company management to influence reported earnings which can provide information about economic advantage that the company does not actually experience. Long-term action could be detrimental to the

company.

Earnings management is a familiar topic in accounting research. However, many previous studies only focus on accrual earnings management. According to Graham et al. (2005) in Mukhtar (2016), they state that managers tend to commit real earnings management compared to accrual earnings management as real earnings management is difficult to distinguish from optimal decisions and more difficult to detect. (Roychowdhury, 2006 in Vajriyanti et al., 2015) states that real earnings management is an act of earnings management carried out through the company's daily activities that can be performed at any time during the current period. Real earnings management can be done through operating cash flow, production costs, and discretionary costs.

Profitability is the company's ability to earn profits through all of its resources and capabilities (Purnama, 2017). Profitability has important information for external parties because if the profitability is high, it can be determined that the company's performance is good. And vice versa, if the profitability is low, the performance of a company can be considered bad.

Concerning leverage, one alternative source of company funds besides selling its shares in the capital market is an external source of funds, which is debt. Higher profits are expected to reduce the possibility of violating the terms of loan agreement so that managers are more likely to adopt accounting policies that increase profits. It is what motivates managers to carry out earnings management to avoid agreement violations.

Firm size is a scale in which the company is classified according to its size based on the total assets of a company. The bigger the total assets, the bigger the firm size is. Firm size in its effects contains earnings management practices, namely supervision and observation forms related to company performance. Therefore, big companies are more careful in reporting their financial conditions, while small companies tend to carry out earnings management by reporting larger earnings to show sufficient financial performance.

The company's ability to meet short-term liabilities known as liquidity is another factor that influences earnings management. Liquidity is indicated by the size of current assets, which are assets easily converted or manipulated into cash, including cash, marketable securities, accounts receivable, and inventory. Manipulation of current

assets is done to make the company's liquidity good. From this liquidity, many perspectives can be obtained regarding the company's financial competence and ability to survive amid problems.

The ability of the company to use all of its assets in generating sales volume is represented by the total assets turnover ratio. This ratio is used due to its effectiveness in generating sales using indicated assets based on the calculation of total asset turnover. The amount of the total asset turnover will show the assets that exchange faster to generate sales for profit. The sales volume can be enlarged with the same amount of assets if the total assets turnover is enlarged or increased (Syamsuddin, 2011: 62) in Adriani et al. (2015).

Based on the background above, many factors influence earnings management. However, the researchers limit the factors influencing earnings management so that research is more robust. This research refers to research conducted by Winingsih (2017). The difference between this research and the previous one is that the researchers add an independent variable of the total asset turnover and the latest research period examined is 2014-2017. The title of this research is "THE EFFECT OF PROFITABILITY, LEVERAGE, FIRM SIZE, LIQUIDITY, AND TOTAL ASSETS TURNOVER ON REAL EARNINGS MANAGEMENT: An Empirical Study on the Mining Company Classification Listed on the Indonesia Stock Exchange (IDX) 2014-2017".

LITERATURE STUDY AND HYPOTHESES

Agency Theory

Agency theory is built as an effort to solve and understand problems arising when there is incomplete information in performing a contract. Agency theory is based on the contractual relationship among members in the company, where the principal (employer, such as shareholders) and agent (management) are the main actors. The principal is the party that orders the agent for the interests of the principal, including delegation of authority in decision-making from the principal to the agent. While the agent is the party who is ordered by the principal to run the company. Agency theory is the development of a theory that studies a contract design in which agent serves on behalf of the principal, when their desires or goals collide, a conflict will be inevitable (Scott,

2006). Agency theory assumes that each individual is independent, triggering a conflict of interest between the principal and agent. The principal is motivated to make a contract for personal gain by increasing the company's profitability. The conflict of interest between the manager and the principal will get bigger when the manager's ownership of the company is getting smaller. Therefore, the manager will maximize efforts for personal interests, not for the company interests. Conversely, the bigger the manager's ownership in the company, the more productive the actions will be in maximizing the value of the company. Company managers will disclose social information in order to improve the company's image, although managers have to sacrifice data sources for such activities (Rindawati and Asyik, 2015 in Arifin and Destriana, 2016).

Earnings Management

According to Sitorus in Romadhon (2016), earnings management is a management action to select accounting policies from a certain standard to affect earnings that will occur as expected through the management of internal factors owned or applied by the company. Healy and Wahlen (1999) state that earnings management occurs when managers use judgments in financial reporting and transaction preparation to change financial statements so as to mislead stakeholders about the company's economic performance or to influence contract-related results that depend on reported figures. Earnings management is divided into two, accrual earnings management and real earnings management. Accrual earnings management is the difference between net cash flows from the results of company operations and reported earnings in the income statement. Meanwhile, according to Roychowdhury (2006) in Mukhtar (2016), real earnings management is a manipulation carried out by management through the company's daily activities during the accounting period.

Profitability

Profitability is the company's ability to earn profits relating to sales, total assets, and owner's equity (Sartono, 2001: 121 in Suryaningsih, 2017). A high level of profitability may indicate that the performance of a company is adequate, while a low level of profitability may indicate that the company's performance is inadequate.

Leverage

Leverage is the borrowed funding source of the company to finance its assets. High use of debt can endanger the company because the company will fall into the extreme leverage category, which is a company trapped in a high level of debt and difficult to release the debt burden. The greater the leverage, the bigger the investment risk will be, while the company with a low leverage ratio denotes that it has a smaller risk.

Firm Size

Firm size is a measurement that presents the size of the company. Firm size can be expressed in terms of total assets, sales, and equity. The greater the total assets, sales, and equity, the greater the size of the company is. In large companies, the level of stability tends to be higher and involves more parties. Decision making of large companies will hugely affect public perceptions compared to decision making by small companies.

Liquidity

Liquidity is the ratio applied to measure a company's ability to meet its short-term liabilities on time with its current assets. The greater the ratio between current assets and short-term liabilities, the greater the company's ability to cover or pay off its short-term liabilities. Commonly, managers manipulate the current assets of the company so that the liquidity state of the company looks good.

Total Asset Turnover

According to Sutrisno (2009, p.221) in Gunawan and Wahyuni (2013), total asset turnover is a measure of the effectiveness of asset utilization in generating sales. The greater the asset turnover, the more effective the assets a company will manage. This ratio also shows how resources are optimally utilized.

Hypotheses Development

Profitability on Real Earnings Management

One of the goals of the company is to make profits. If the company's profitability is low, as a consequence, the bonus that management will obtain is also low. Therefore, company management tends to commit earnings management in order to obtain a bonus. Widyastuti (2009) in Purmana (2017) states that the greater the profitability, the greater the occurrence of earnings management will be. Based on the description above, it can

be determined that profitability influences real earnings management.

H1: Profitability influences real earnings management.

Leverage on Real Earnings Management

The level of leverage is one of the aspects that can motivate management in implementing earnings management. Companies with a high level of leverage indicate that the liabilities of the company are greater than the assets of the company, resulting in great risk and pressure on the company. The higher the level of a company's leverage ratio, the higher the risk that the company will face. Companies with a high leverage ratio have a larger proportion of debt compared to assets owned so that they tend to do manipulation in form of earnings management to avoid loan agreements (Septantinah, 2005: 7 in Yatulhusna, 2015). Based on the description above, it can be determined that leverage influences real earnings management.

H2: Leverage influences real earnings management.

Firm Size on Real Earnings Management

Firm Size is a basic measure that describes the size of the sales level and the company's internal controls. Decision making of big companies affects public perception compared to small companies. Thus, companies will disclose their earnings management attentively. Big companies perform earnings management by reducing their profits in order to avoid drastic fluctuations or increases in profit as it protects them from paying more taxes. Meanwhile, the smaller the size of the company, the greater the earnings management committed by increasing the profits so that the company is considered to have a good performance (Siregar and Utama, 2005 in Purnama, 2017). Based on the description above, it can be concluded that firm size influences real earnings management.

H3: Firm size influences real earnings management.

4. Liquidity on Real Earnings Management

Liquidity is the ratio used to measure the company's ability to meet its short-term liabilities on time with its current assets. Commonly, managers manipulate their current assets so that the company displays a good liquidity performance. Liquidity can be an indicator to show that a certain management action has been taken by a company. Based on the explanation, it can be determined that liquidity influences real earnings management.

H4: Liquidity influences real earnings management.

5. Total Asset Turnover on Real Earnings Management

Total asset turnover shows the ability of funds given in total assets circulating in a certain period. An increasing total asset turnover indicates that the use of assets is sufficient. Managers can carry out earnings management by marking up or increasing the turnover of total assets to generate sales volume but with the same assets. Based on the elaboration, it can be considered that total asset turnover influences real earnings management.

H5: Total asset turnover influences real earnings management.

RESEARCH METHOD

Types and Sources of Data

This research is a quantitative study using secondary data from annual reports of mining companies listed on the Indonesia Stock Exchange (IDX) 2014-2017. The data is obtained through direct access from the Indonesia Stock Exchange website (www.idx.co.id).

Population, Sample, and Sampling Method

The population in this study is mining companies listed on the Indonesia Stock Exchange (IDX) in 2014-2017. The sampling method used in this study is purposive sampling, which is a sampling technique based on specified criteria. The sample criteria are as follows: (1) Mining companies listed on the Indonesia Stock Exchange consecutively during the 2014-2017 period. (2) Mining companies that publish a complete annual report during the 2014-2017 period. (3) Present all the data used to calculate the variables that are the focus of the study.

Operational Definition and Variable Measurement

Dependent Variable

Real Earnings Management

Real earnings management is an action taken by management that influences a company's reports in generating profits. Earnings management in this study was calculated from the company's real activities as a proxy according to Roychowdhury's (2006) calculation model. The reference of this

study is the real earnings management proxies that will be calculated using the abnormal cash flow operations (Abn CFO) approach with the following formula:

Abnormal Cash Flow Operation

Abnormal CFO = Aktual CFO – Normal CFO

$$CFO_t/At-1 = \alpha_0 + \alpha_1(1/At-1) + \beta_1(St/At-1) + \beta_2(\Delta St/At-1) + \epsilon_t$$

Independent Variable

Profitability

Profitability is proxied by net profit margin (NPM). Net profit margin (NPM) is a measure of revenue by comparing profit after interest and tax divided by company sales (Kasmir, 2012: 200 in Fatmasari, 2016). The higher the NPM of the company, the more efficient the sales will be, thereby increasing profits.

$$NPM = \frac{\text{Net profit after tax}}{\text{Total sales}} \times 100\%$$

Leverage

Leverage can be interpreted as the level of a company's dependence on debt to finance its operations. Leverage is proxied by the Debt to Total Assets Ratio (DA). The higher the ratio, the bigger debt funding will be, and the more difficult it will be for the company to obtain additional loans because the company is feared to not be able to cover its debts with its assets. Conversely, the lower the ratio, the smaller the chance the company is financed from debt. According to Kasmir (2010, p. 122) in Gunawan and Wahyuni (2013), the formula for finding the Debt to Assets ratio is as follows:

$$DAR = \frac{\text{Total Debt}}{\text{Total Assets}} \times 100\%$$

Firm Size

Firm size is a scale in which the company can be classified based on its size. In this study, the firm size is proxied by the natural logarithm value of the company's total assets. The greater the natural logarithm of the company's total assets, the bigger the size or assets of the company. Firm size can be measured using the following formula: Marlisa and Fuadati, (2016) in Mukti, (2018)

$$\text{SIZE} = \ln(\text{Total Assets})$$

Liquidity

Liquidity is the ratio used to measure a company's ability to meet its short-term liabilities on time with its current assets. This research uses the current ratio because it is used to measure short-term liquidity risk. Also, it is because the current ratio is easier to calculate. The current ratio has sufficient bankruptcy prediction. According to Hanafi and Halim (2009, p. 77) in Gunawan and Wahyuni (2013), current assets can be formulated as follows:

$$\text{Current Ratio (CR)} = \frac{\text{Current Assets}}{\text{Current Liabilities}} \times 100\%$$

Total Asset Turnover

This ratio measures the extent to which the company is able to generate sales with its assets. The ratio used to analyze asset management is Total Assets Turnover (TATO). This ratio will be able to explain or provide an overview to the analyst about the condition or position of the company's assets turnover. The formula for calculating the total asset turnover ratio is formulated as follows (Brigham, 1983 in Rachmawati and Retno, 2017):

$$\text{TAT} = \frac{\text{Net Sales}}{\text{Total Assets}}$$

Data analysis method

The model used in this study is multiple regression analysis. The regression model developed to test the hypotheses is:

$$\text{REM} = \alpha + \beta_1.\text{PROF} + \beta_2.\text{LEV} + \beta_3.\text{FS} + \beta_4.\text{LIK} + \beta_5.\text{TAT} + e$$

Information:

REM = Real earnings management

α = Constant value

β_1 - β_5 = Regression coefficient

PROF = Profitability

LEV = Leverage

FS = Firm size

LIK = Liquidity

TAT = Total assets turnover (TATO)

e = Error term

RESULTS AND DISCUSSION

The mining companies listed on the Indonesia Stock Exchange and submitting annual reports and financial statements consecutively during the 2014-2017 period are 22 companies, but those that are qualified the sample criteria are 20 companies with 80 samples for four years of observation.

Classical assumption test

Normality test

The normality test used in this study is the CLT (Central Limit Theorem) test with $n > 30$. The results using the CLT (Central Limit Theorem) test show that the number of n was 80, which means greater than $n > 30$ so it can be concluded that data are normally distributed.

Heteroscedasticity Test

The heteroscedasticity test used in this study is the Spearman test. Based on the results of the Spearman test, the probability value shows that it was greater than 0.5, therefore, there is no absolute value of residual, thus indicating no heteroscedasticity problem in the regression model. The results of the heteroscedasticity test in the research is shown in the table below:

Table 1. Results of Heteroscedasticity Test –Spearman Test

Variable	Significance	Information
Profitability	,355	No Heteroscedasticity
Leverage	,460	No Heteroscedasticity
Firm Size	,497	No Heteroscedasticity
Liquidity	,462	No Heteroscedasticity
Total Asset Turnover	,057	No Heteroscedasticity

Source: Processed using SPSS 21, 2019

Autocorrelation Test

The autocorrelation test is used to test whether in the linear regression model a correlation between confounding variable in period t and confounding variable in period $t-1$ (previous). Autocorrelation may emerge due to consecutive observations over time. This study uses the Durbin Watson test (D-W test) to detect the presence or absence of confounding of autocorrelation. Multiple linear regression can be considered to be good if it is not affected by autocorrelation, the results of the autocorrelation test are displayed in Table 2 below:

Table 2. Results of Autocorrelation Test - Durbin Watson

Test		
Information	Durbin-Waston	Decision
Real Earnings Management	1,734	No Autocorrelation

Source: Processed using SPSS 21, 2019

It can be determined that in Table 2 that D-W shows the 1.734, which implies that the multiple regression model in this study is negative from autocorrelation. It is per Santoso's (2005: 215) criteria describing that the D-W number between -2 and +2 implies no autocorrelation occurring.

Multicollinearity Test

The multicollinearity test in this study aims to test whether a correlation among independent variables is detected in the regression model. A good regression model should not have a correlation among the independent variables (Ghozali, 2013). To test multicollinearity, researchers conducted a correlation analysis among variables by calculating the tolerance and variance inflation factor (VIF). If the tolerance is > 0.10 and VIF <10, it can be determined that the data is negative from multicollinearity. The multicollinearity test results are shown as follows:

Table 3. Results of Multicollinearity Test

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.	Collinearity Statistic Tolerance VIF	
	B	Std. Error					
(Constant)	,027	,103		,261	,795		
PROF	,000	,001	,021	,255	,799	,896	1,116
LEV	-,003	,029	-,011	-,103	,918	,544	1,839
FS	-,002	,007	-,023	-,264	,792	,827	1,209
LIK	,001	,005	,015	,175	,862	,841	1,189
TAT	,153	,020	,720	7,671	,000	,707	1,414

a. Dependent Variable: REM

Source: Processed using SPSS 21, 2019

Based on the multicollinearity test results above, it can be seen that the tolerance of the five variables was more than 0.10 and VIF was less than 10. Hence, it can be concluded that there is no multicollinearity among the independent variables.

Hypothesis testing

Multiple Linear Regression Analysis

Multiple linear regression analysis is used to examine the factors that influence the independent

variable on the dependent variable. The independent variable used in this study is more than one variable. Multiple linear regression equation used is as follows:

$$MLR = \alpha + \beta_1.PROF + \beta_2.LEV + \beta_3.FS + \beta_4.LIK + \beta_5.TAT + e$$

$$MLR = 0,027 + 0,000.PROF - 0,003.LEV - 0,002 \beta_3.FS + 0,001.LIK + 0,153.TAT + e$$

Table 4. Results of Hypothesis Testing

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
(Constant)	,027	,103		,261	,795
PROF	,000	,001	,021	,255	,799
LEV	-,003	,029	-,011	-,103	,918
FS	-,002	,007	-,023	-,264	,792
LIK	,001	,005	,015	,175	,862
TAT	,153	,020	,720	7,671	,000

Source: Processed using SPSS 21, 2019

Goodness of Fit Test

Simultaneous Significance Testing (F-Test)

The F-test is basically used to find whether the overall independent variables have a simultaneous effect on the dependent variables. The significance

test is carried out using a significance level of 0.05. If the significance value is <0.05, it means that all independent variables influence the dependent variables. The results of the F-test have obtained as follows:

Table 5. Simultaneous Significance Testing (F-Test)

ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	,541	5	,108	17,315	,000 ^b
Residual	,462	74	,006		
Total	1,003	79			

a. Dependent Variable: REM

b. Predictors: (Constant), TAT, FS, PROF, LIK, LEV

Source: Processed using SPSS 21, 2019

The results of data processing show that the value of $F = 17.315$ with a probability of $0.000 < 0.05$. The test probability value which is smaller than $\alpha = 0.05$ indicates that the real earnings management index concurrently can be explained by the variables of profitability, leverage, firm size, liquidity, and total asset turnover.

Determination Coefficient Test (R^2)

To determine the contribution of exogenous variables to endogenous variables, it can be observed from the adjusted R square. The determination coefficient (R^2) essentially measures the ability of the model to explain endogenous variables. The results of the determination coefficient (R^2) are shown in the following table:

Table 6. Results of Determination Coefficient Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,734 ^a	,539	,508	,0790319

a. Predictors: (Constant), TAT, FS, PROF, LIK, LEV

b. Dependent Variable: REM

Source: Processed using SPSS 21, 2019

Based on the test results in Table 6, the Adjusted R^2 value was 0.508 or 50.8%. It indicates that 50.8% of real earnings management variables in mining companies listed on the Indonesia Stock Exchange for the 2014-2017 period can be explained or influenced by the variables of profitability, leverage, firm size, liquidity, and total asset turnover. Meanwhile, the remaining 49.2% can be explained by other variables excluded.

Discussion

The Effect of Profitability on Real Earnings Management

The profitability variable did not influence real earnings management. It is shown by the obtained value of t that was 0.255 with a significance level of 0.799, higher than $\alpha = 0.05$ ($0.799 > 0.05$), and the value of the regression coefficient for the profitability

variable was 0.000. Given these values, it can be determined that the profitability ratio (NPM) did not influence real earnings management. Therefore, the first hypothesis (H1) is rejected.

The company's profitability does not significantly affect real earnings management. It means that higher or lower profitability of the company has no effect on real earnings management – the higher profitability, the smaller the dividends that will be distributed. Increasing profitability indicates a good company performance and shareholders will receive great profits. Since managers gain profits, it is unnecessary for them to commit real earnings management actions on behalf of the company.

The Effect of Leverage on Real Earnings Management

The leverage variable did not influence real earnings management. It is shown in the results of the study that the t -value of -0.103 with a significance level of 0.918 is higher than $\alpha = 0.05$ ($0.918 > 0.05$) and the value of the regression coefficient for the leverage variable was -0.003. From these results, it can be determined that the leverage variable (DAR) did not influence real earnings management. Therefore, the second hypothesis (H2) is rejected.

The size of the company's leverage does not affect real earnings management carried out by the company. The company's leverage as measured using the Debt to Assets Ratio (DAR) cannot reflect the company's ability to fulfill the liabilities shown by the company's assets that are used to finance the company's debt. A company with a high level of leverage due to a large amount of total debt to total assets will be more likely to be at risk of default – a company fails to fulfill its liabilities. However, earnings management measures cannot be used as a defense mechanism to avoid default. Fulfillment of obligations must still be paid off by the company and cannot be adjusted through earnings management. In addition, close supervision within the company by third parties can reduce the opportunities for

management to do real earnings management. Thus, the level of leverage does not affect real earnings management.

The Effect of Firm Size on Real Earnings Management

The firm size variable did not influence real earnings management. It is shown in the research results of the t value of -0.264 with a significance level of 0.792, which is higher than $\alpha = 0.05$ ($0.792 > 0.05$), and the regression coefficient of the firm size variable of -0.002. From these results, it can be determined that the firm size ratio did not influence real earnings management. Therefore, the third hypothesis (H3) is rejected.

Firm size has no significant effect on real earnings management. It means that the firm size as measured by the natural logarithm of total assets cannot detect any influence on real earnings management performed by the company. It shows that firm size is not an evidence that a company is practicing earnings management. Furthermore, it implies that small companies and big companies have an equal opportunity to conduct earnings management. Close supervision by the government, analysts, and investors running the company will make managers avoid income smoothing practices, which is one of the real earnings management practices. Under close supervision, if managers are caught performing earnings management, the government, analysts, and investors will find out and it can damage the image and credibility of the company managers. Moreover, firm size is not the only consideration for investors in making an investment, but other factors are more important to consider in making decisions such as the level of profit, the future prospect for the company, and so forth.

The Effect of Liquidity on Real Earnings Management

The liquidity variable did not influence real earnings management. It is shown in the results that obtained t-value of 0.175 with a significance level of 0.862, which is higher than $\alpha = 0.05$ ($0.862 > 0.05$), and the value of the regression coefficient for the liquidity variable of 0.001. From these results, it can be concluded that the liquidity ratio did not affect real earnings management. Therefore, the fourth hypothesis (H4) is rejected.

Based on the results of this analysis, it can be determined that the greater the level of liquidity of

a company, it will not affect earnings management. Liquidity is measured by the current ratio, where the current ratio is obtained by dividing current debt to current assets. A high current ratio indicates the company's ability to pay off current debt using its current assets. So, the higher the current ratio, the lower the earnings management is.

The Effect of Total Asset Turnover on Real Earnings Management

Total asset turnover variable did not influence real earnings management. It is shown in the results that obtain the t value of 7.671 with a significance level of 0.000, which is smaller than $\alpha = 0.05$ ($0.000 < 0.05$), and the value of the regression coefficient for the total asset turnover variable of 0.153. From these results, it can be determined that the total asset turnover ratio significantly affected real earnings management. Therefore, the fifth hypothesis (H5) is accepted.

Total asset turnover has a significant effect on real earnings management. It means that the total asset turnover as measured using Total Assets Turnover (TAT) can reflect the company's ability to generate net sales from the company's assets. Total asset turnover shows the ability of the funds invested in the total assets that circulate in a certain period or the capital invested to generate revenue. It is expected that the total asset turnover will increase, which means that the use of assets is more efficient. Commonly, a high ratio indicates good management. A greater ratio shows more efficient use of the company's assets in increasing sales.

CONCLUSION

Conclusion

Based on the results of data analysis, hypothesis testing, and discussion, it can be concluded that profitability did not significantly affect real earnings management. Profitability had a significance value of $0.799 > 0.05$ with a coefficient value of 0.000, thus, H1 is rejected. The results of this study reject the first hypothesis (H1); profitability influences real earnings management. Profitability does not significantly affect real earnings management, which means that the size of the company's profitability will not affect real earnings management practices of the company.

Leverage did not significantly affect real earnings management. Leverage had a significance value of $0.918 > 0.05$ with a coefficient value of

-0.003, thus, H2 is rejected. The results of this study reject the second hypothesis (H2); leverage influences real earnings management. The size of the company's leverage will not affect real earnings management practices of the company.

Firm Size did not significantly affect real earnings management. Firm size had a significance value of $0.792 > 0.05$ with a coefficient value of -0.002, thus, H3 is rejected. The results of this study reject the third hypothesis (H3); firm size influences real earnings management. Firm size does not affect real earnings management, it means that firm size does not affect earnings management practices of the company.

Liquidity did not affect real earnings management. Liquidity had a significance value of $0.862 > 0.05$ with a coefficient value of 0.001, thus H4 is rejected. The results of this study reject the fourth hypothesis (H4); liquidity influences real earnings management. Liquidity has no effect on real earnings management, it means that the size of liquidity will not affect real earnings management practices.

Total asset turnover significantly affected real earnings management. Total asset turnover had a significance value of $0.000 < 0.05$ with a coefficient value of 0.153, thus, H5 is accepted. The results of this study support the fifth hypothesis (H5); total asset turnover influences real earnings management. Total asset turnover has an effect on real earnings management practices, it means that the size of the total asset turnover ratio affects the real earnings management practice of the company.

Research Limitations

This study has limitations that may disrupt the research results as well as act as a direction for future research, including:

1. The sample in this study only used mining companies listed on the Indonesia Stock Exchange (IDX) so that the research results cannot be generalized to other types of companies.
2. The disclosures used in real earnings management only used the measurement through operating cash flow so that it does not show the results of real earnings management as a complete.
3. The variables used in this study are only limited to the independent variables, namely profitability, leverage, firm size, liquidity, and total asset turnover which make this research is incapable of measuring comprehensively the effects on real earnings management.

Suggestion

Based on the conclusions and limitations in the study, the suggestions for further research include:

1. Further research is expected to increase the number of samples, which are not only limited to mining companies but also all companies listed on the Indonesian Stock Exchange (IDX).
2. Measurement of earnings management can be added with measurements through production costs and discretionary costs so as to reflect the value of the overall earnings management.
3. Other variables not included in this study that may have an influence on earnings management can be added, such as audit quality, information asymmetry, industry classification, free cash flow, or earning power.

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