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Can Good Corporate Governance Moderate the Relationship Between Earnings Management and Firm Value?

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ABSTRACT

The purpose of this research is to empirically examine the impact of earnings management toward firm value, the impact of good corporate governance toward firm value, and the impact of good corporate governance as a moderating variable on the relationship between earnings management and firm value. The sample of this research is manufacturing companies listed on the Indonesia Stock Exchange in 2016-2019 which were selected using the purposive sampling method, 81 companies fulfilled the sampling method requirement and were used as the sample for this study. To test the hypothesis, simple and multiple linear regression were conducted. The research results proved that earnings management measures do not have a significant effect on firm value. Furthermore, simultaneously, good corporate governance has a significant effect on firm value. Partially, one of the components of good corporate governance which is audit quality, was proved statistically to have a significant effect on firm value. In contrast, good corporate governance was not able to moderate the relationship between earnings management and firm value.

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1. INTRODUCTION

Financial reports are important for companies because the existence of financial reports can make it easier for stakeholders (i.e. investors, company owners, creditors, government, employees) to get information for decisions making. For instance, investor may use the information on financial statements (income statement, balance sheet, cash flow) to analyze the performance of a company and eventually make a decision related to their investment activities (Sujarweni, 2019). Since the company is evaluated by their financial report, having a good and increasing performance and firm values is one of the things that every company wants to achieve. The higher the firm value, the more prosperous and luxurious shareholders will be.

Firm value can be measured and rated through the market value or book value of the company. Many methods can be used in measuring firm value, one of which is by using the Tobin's Q

method (Siallagan, 2009). Tobin's Q is used to measure the firm value by calculating the capital market ratio so that it can show and provide an overview or estimates of the financial market return value of each investment (Sari, 2015). Compared to other firm value measurement tools, Tobin's Q has several advantages. Firstly, it can reflect the company's assets as a whole, secondly, reflects market sentiment in the form of analysis seen from the company's prospects, thirdly, reflects the company's intellectual capital, and lastly, it can overcome problems in estimating marginal profit or cost (Smithers & Wright 2007). Selective business competition encourages company management to pursue and to maximize firm value in various ways. One way this is done is through earnings management activities (Dewi & Mustikawati, 2017).

Earnings management is one of the actions or choices made by management in determining methods and policies in accounting to achieve certain goals (Scott, 2015). Earnings management measures might be carried out when the company's financial condition is in bad shape, with the aim that the financial statements to be reported might look better compared to the actual situation, so that the company's value may be good and healthy for investors and creditors (Siallagan, 2009). Earnings management is influenced by agency problems which are triggered by differences of interests between shareholders (principal) and company managers (agents) (Herawaty, 2008). Agency theory assumes that agents are influenced by their own interests, which then causes conflicts of interest between the principal and the agent (Syahadatina, 2015). Based on agency theory, these conflicts or problems can be minimized through the implementation of good corporate governance (Lisa, 2012). Good corporate governance may provide effective protection to shareholders and creditors to obtain a fair, precise, and efficient return on investment, as well as ensure that management acts optimally for the benefit of the company. There are several good corporate governance mechanisms that can be used, in this study the good corporate governance mechanisms that will be used are; managerial ownership, institutional ownership, supervision of independent commissioners, and audit quality (Lestari & Pamudji, 2013).

Based on research from Herawaty (2008), it shows that of the four variables used to measure corporate governance practices, only two variables have a significant effect on firm value. The result is that managerial ownership has a negative effect on firm value but audit quality has a positive effect on firm value. However, based on research conducted by Mawati et al (2017) and Permanasari (2018), the results of research on corporate governance showed that the good corporate governance itself was not able to moderate the effect of earnings management on firm value. Consequently, by analyzing the inconsistency of previous research results, this research tried to confirm the impact of earnings management toward firm value, good corporate governance toward firm value, and the moderation effect of good corporate governance toward the relationship between earnings management and firm value.

Agency theory is a theory that discusses the problems that exist between the principal and agent. The principal gives authority to the agent to do work on behalf of the principal and act or make the best decisions for the principal (Jensen & Meckling, 1976). The relationship between management and company owners is a principal-agent relationship paradigm, and the company owner as principal provides formal trust in the form of a work relationship contract to the management agent who provides managerial services (Asyik, 2010). Agency theory is based on three assumptions, which are assumptions of human nature, organizational assumptions, and assumptions of information. The assumption of human nature explains that humans have a selfish nature, have rational boundaries, and do not like risks. Organizational assumptions explain the conflicts between organizations and the information asymmetry between the principal and the agent. The information assumption explains that the information in the company can be traded (Pertiwi, 2010). An agency conflict will result in an opportunistic nature of management so that it can show the low quality of reported earnings. The low quality of earnings can result in errors in decision making by principals as well as creditors (Syahadatina, 2015).

Firm value is a company and financial condition that has been achieved by a company as a reflection of public trust in the company after going through a process of activity for some periods, which is from the time the company was founded to the latest date (Noerirawan & Muid, 2012). Measurement of firm value in this research uses the Tobin's Q ratio which can show the effectiveness and efficiency of a company seen from the capital market value of the return given, also on existing investment opportunities, and can describe how the company processes and utilizes tangible and intangible assets owned by companies (Dzahabiyya, Jhoansyah, & Danial, 2020). The weakness of

Tobin's Q is that it can result in inaccuracy of measuring market power because it is difficult to estimate replacement costs, spending on advertising, and research and development of intangible assets (Smithers & Wright, 2007).

Earnings management is one of the actions or choices made by agents in determining methods and policies in accounting to achieve certain goals (Scott, 2015). Management behavior that underlies the birth of earnings management is opportunistic behavior and efficient contracting (Pertiwi, 2010). This opportunistic behavior is usually carried out through financial modification by applying income increasing or income decreasing of discretionary accruals. Earnings management is influenced by agency problems which are triggered by differences in interests between shareholders (principal) and company managers (agents) (Herawaty, 2008). With the authority given by the principal to the agent, the agent has more information than the principal, so that information asymmetry arises and the manager has the possibility not to do his best for the interests of the principal due to a conflict of interest (Iswara, 2014).This problem might harm the firm value of a company. Based on research from Herawaty (2008) that shows that earnings management has a negative effect on firm value, in a study conducted by Mawati et al. (2017) it was found that earnings management does not affect firm value. H1: Earnings management affects firm value.

Good corporate governance is a system and a set of regulations that regulate, manage and supervise the relationship between company managers and stakeholders in a company to increase firm value (Dwiridotjahjono, 2009). In 1999 the Organization for Economic Cooperation and Development (OECD) published the OECD Principles of Corporate Governance. The principles set out by the OECD was intended to assist other countries wishing to improve their legal, institutional, and implementing corporate governance frameworks, and also provide advice and guidance to investors, companies, capital markets, and others with a role to play. to develop good corporate governance.

The principles put forward by the OECD are fairness, transparency, accountability, and responsibility. The principles put forward by the OECD require companies to provide financial reports to all stakeholders. Corporate governance shows how principals believe that agents will benefit them, will not commit fraud, and do not invest funds that have been invested by the principal in companies into projects that are not profitable, and are related to how principals control managers (Pertiwi, 2010). Good corporate governance practice is expected to reduce the level of earnings management. Research from Kamil (2013) shows that corporate governance mechanisms are proxied by managerial ownership, institutional ownership, and independent commissioners simultaneously have a significant effect on firm value. Partially, managerial ownership and institutional ownership are moderating variables in the effect of earnings management on firm value, while independent commissioners are not moderating variables in the effect of earnings management on firm value. Research conducted by Kristanti and Priyadi (2016) shows that good corporate governance as a moderating variable is unable to weaken the effect of earnings management on firm value. H2: Good corporate governance affect firm value.

An independent commissioner is a member of the board of commissioners who are not related to the board of directors, other members of the board of commissioners, and controlling shareholder, and does not have a business relationship or other relationship that may affect his ability to act independently or act solely for the benefit of the company (Rifai, 2009). The board of commissioners has a duty and responsibility, that is to oversee the policies and activities carried out by the board of directors and management for the management of company resources so that they can run effectively, efficiently, and economically in order to achieve company goals, as well as provide advice to the company if needed (Darmawati, 2004). H2A: Independent commissioners affect firm value. H3A: Independent commissioners moderate the relationship between earnings management and firm value.

Managerial ownership is the shareholder of the company's management who plays and active role in making company decisions. Measuring managerial ownership can be used to determine the benefits of managerial ownership in reducing agency conflicts, so it can be assumed that agency problems can be reduced if a company manager is also the owner of the company with the company's shares owned by the manager. Management ownership of company shares is seen as being able to align potential differences in interests between outside shareholders and management so that agency problems are assumed to be reduced if a manager is also an owner of the company (Jensen &

Meckling, 1976). H2B: Managerial ownership affects firm value. H3B: Managerial ownership moderates the relationship between earnings management and firm value.

Institutional ownership is the ownership of company shares by institutions such as banks, investment companies, insurance companies, and other institutional ownership (Bernandhi & Muid, 2014). The existence of institutional investors is considered to be an effective monitoring mechanism for any decisions that will be taken by the company management. A high level of institutional ownership will lead to more intense supervision by institutional investors of the company management so that it can reduce or negate the behavior of managers who are concerned with their own interests which will ultimately harm the principal. The greater the ownership by financial institutions, the greater the voice power and the drive to optimize firm value. H2C: Institutional ownership affects firm value. H3C: Institutional ownership moderates the relationship between earnings management and firm value.

With the asymmetry of information between the principal and agent, there must be a third party who helps to examine the financial statements so that the information contained in the financial statements can become a reference for users of financial statements or other interested parties to make decisions. A third party, that is an external auditor (independent auditor) or commonly referred to as a public accountant, is a person or group of people who have professional competence to provide audit services to clients, whether in the form of companies that aim to earn profits, social institutions such as foundations, government agencies, and private companies (Yusar & Jalil, 2013). It is expected that independent auditors who work in a KAP (Public Accounting Firm) can assess and view financial reports properly in order to produce high-quality audits. H2D: Audit quality affects firm value. H3D: Audit quality moderates the relationship between earnings management and firm value

2. RESEARCH METHOD

The population used in this research are companies engaged in manufacturing activites who were listed on the Indonesia Stock Exchange (IDX) for the period of 2016-2019. For the sample selection, the researcher used purposive sampling method. Purposive sampling is a method of determining the sample used by referring to a certain criterion. The criteria used in the selection of research samples, that ire: Manufacturing companies listed on the IDX in the 2016-2019 period, Companies that consistently published annual reports that ended on December 31 during the 2016-2019 observation period, Companies that have data related to this research in the 2016-2019 period, Companies that present financial reports in the form of rupiah so that all data obtained and will be processed is uniformly in the form of rupiah currency.

The data used in the research were taken from secondary data obtained through annual reports of manufacturing companies listed on the Indonesia Stock Exchange. This data can be obtained by visiting the website www.idx.co.id and/or downloading data on annual reports of manufacturing companies listed on the IDX in 2016-2019. The types of data used for this research is secondary data.

Earnings management as an independent variable is proxied by using discretionary accruals, which are calculations regarding cash flow adjustments by managers of various opportunities for accounting procedures that apply in the company. Discretionary accruals will be calculated using the Modified Jones Model. According to Siallagan (2009), the modified Jones model that will be used to calculate discretionary accruals is more accurate than the other models used to measure earnings management. The formula to be used is as follows; To obtain discretionary accruals, the total accruals must be calculated first:

TAit = NIit – CFOit

Furthermore, DA (discretionary accruals) is calculated by the following formula:

DAit = $(TAit/Ait–1) – NDAit$

Where:

TAit = The total accruals of a company i in period t NIit

DAit = discretionary Accruals company i in year t

NDAit = nondiscretionary accruals of a company i in year t ‘

NIit = net income of company i in year t

CFOit = cash flows from operating activities of a company i in year t

Ait-1 = total assets of a company i in year t-1

The firm value reflects the prosperity of the shareholders. The higher the firm value, the more prosperous the shareholders are. Firm value as the dependent variable will be measured using Tobin's Q formula, with the following formula (Dzahabiyya, Jhoansyah, & Danial, 2020)

$$Q = (MVE+D)/(BVE+D) \quad (1)$$

Where:

Q = The firm value.
MVE = The Market Value of Equity obtained through the closing share price is then multiplied by the number of outstanding shares.
D = Book value of total debt.
BVE = The book value of equity obtained from the difference between the company's total assets and the company's total liabilities.

Good corporate governance as a moderating variable in this research will be measured using independent commissioners, managerial ownership, institutional ownership, and audit quality. Independent commissioners have a role in improving the quality of earnings by supervising financial reporting. Based on OJK regulation No. 33 / POJK.042014, independent commissioners composition should be least 30% members of the total board of commissioners, so that they are deemed appropriate as a good corporate governance criterion that aims to maintain independence in making appropriate, fast, and effective decisions. Data from independent commissioners were obtained from: Independent Commissioner = (*Quantity of independent commissioners/ The total number of commissioners*) X 100%. The results of this calculation will be categorized using a dummy variable, if there are 30% or more independent commissioners then they will be given a value of 1 and if they have a result below 30%, they will be given a value of 0.

Managerial ownership is the percentage of shares or the number of shares owned by managers and directors of the company at the end of each year. Managerial ownership will be measured using a dummy variable, if there is managerial ownership in the company then it will be given a value of 1 and if it does not have managerial ownership in the company it will be given 0. Institutional ownership is the number of shares owned by the institution and this is an alternative mechanism for implementing good corporate governance (Pertiwi, 2010). If institutional ownership is equal to or more than 10%, it will be given a value of 1, if less than 10% will be given a value of 0 (Yoandhika, 2012). Institutional ownership is calculated using the following formula; Institutional Ownership = *The number of shares owned by the institution/The number of company shares outstanding*.

Audit quality is one of the things that must be considered by auditors in the audit process of a company. Audit quality in this study will be measured using dummy variables. If the company is audited by KAP Big Four then it will be given a value of 1, and if the company is not audited by KAP Big Four then it will be given a value of 0. Firm size (company size) shows the size of a company which can be measured by the size of assets owned by the company, also with the presence of firm size can determine the level of ease of the company to get funding from the capital market (Setiawan & Christiawan, 2017). Firm size in this study will be measured using: Firm size = Ln (total asset) Leverage is a ratio that can be used to measure how much a company uses funds originating from debt, and can also measure how much the company's assets are financed using debt rather than using its own capital (Setiawan & Christiawan, 2017). Leverage can be measured using the following formula: Leverage = Total Debt/Total Asset This research uses simple regression techniques and multiple linear regression. These tests aims to test statistically the significant effect of independent variables on the dependent variable.

o test H1, the effect of the independent variable, that is earnings management, will be tested on the dependent variable, that is firm value.

$$Q = \alpha + \beta_1 EM + FS + Lev + e \quad (2)$$

To test H2, the influence of the independent variable, that is good corporate governance, will be tested on the dependent variable, that is firm value.

$$Q = \alpha + \beta_2 IndComm + \beta_3 ManOwn + \beta_4 AuditComm + \beta_5 InstOwn + FS + Lev + e \quad (3)$$

to test H3, the effect of the moderating variable, that is good corporate governance, will be tested on the relationship between the independent variable, that is earnings management, and the dependent

variable, that is firm value. In this research, the multiple regression model for H3 will be formulated in a straight line equation, that is:

$$Q = \alpha + \beta_1 EM + \beta_2 IndComm + \beta_3 ManOwn + \beta_4 AuditComm + \beta_5 InstOwn + \beta_6 EM^* IndComm + \beta_7 EM^* ManOwn + \beta_8 EMit^* KA + \beta_9 EM^* InstOwn + FS + Lev + e \quad (4)$$

Where:

Q	= Firm value is measured using Tobin's Q.
α	= Regression equation constant.
β	= Regression coefficient E.
EM	= Earnings management as measured by discretionary accruals.
IndComm	= Independent commissioners are calculated by the percentage of independent commissioners compared to the total existing board of commissioners and will be measured using a dummy variable.
ManOwn	= Managerial ownership as measured by the dummy variable, if given a value of 1 then there is managerial ownership and 0 otherwise.
AuditComm	= Audit quality is measured using a dummy variable, if given a value of 1 then the company is audited by KAP Big Four and 0 otherwise.
InstOwn	= Institutional ownership, which is calculated by calculating the percentage of institutional ownership in the company's stock structure will then be measured using a dummy variable.
FS	= Firm Size as measured by calculating the natural log of the company's total assets.
Lev	= Leverage is measured by how much total debt divided by total assets.

For multiple regression analysis, the coefficient of determination test and partial test will be applied. This is done so that it becomes the basis for decision-making in terms of accepting or rejecting the hypothesis as well as answering the formulation of the problem in this research. Before carrying out multiple statistical tests to determine the results of the effect of the independent variable on the dependent variable simultaneously, classical assumption testing must first be carried out as a condition to continue testing the regression model. In this research, the classical assumption test that were carried out were the multicollinearity test and the heteroscedasticity test. The normality test is not needed because the sample data in this study has exceeded 30 samples, it can be concluded that the sample distribution tends to be normal. The autocorrelation test is also not carried out because only research has time-series data that requires an autocorrelation test (Sutopo & Slamet, 2017).

The multicollinearity test aims to test whether there is a correlation between the independent variables (independent). If the independent variables are not correlated, it indicates a good regression model. According to Ghozali (2013), independent variables that are not correlated are referred to as orthogonal variables, where the correlation value is zero. Based on the results of the multicollinearity test, the tolerance calculation does not show that there are independent variables that have a value of less than 0.1, and there are no variables that have a VIF value of more than 10. So it can be concluded that there is no multicollinearity problem between the independent variables.

The heteroscedasticity test aims to determine the variance difference from the residuals of all observations in the regression model (Ghozali, 2016). If there are inequalities, then if the dependent variable changes, the error (residual) will change according to changes in the dependent variable. The regression model does not have good heteroscedasticity if the variants and residuals remain and the same from all observations. In this research, the method to be used is the White test. White's test can be done by regressing the residual squares of the independent variables. Heteroscedasticity test results show the value of R Square (R2) 0.038 which will then be used to calculate c2, where c2 = n x R2. The test is if c2 count < c2 table then there is no heteroscedasticity problem. If it is known that c2 count = 8,284 and c2 table = 12,592. Then c2 count (8,284) < c2 table (12,592), it can be concluded that there is no heteroscedasticity problem.

3. RESULTS AND DISCUSSIONS

3.1. Descriptive Statistics

The result of descriptive statistic can be seen through table 1. The dependent variable, that is the value of the company as measured by Tobin's Q, has a minimum value of 0.15 and a maximum value

of 2.78, an average value of 1.06, indicating that the manufacturing companies in the sample have a good firm value that is above one and it means that the price company shares exceed book value, so the growth of the company based on the market value of the company's shares has good prospects. Tobin's Q results also show a standard deviation of 0.51. The independent variable Earnings management, which is measured using discretionary accruals, shows a minimum value of -1.54 and a maximum value of 2.07. The average value of earnings management is 0.23, indicating that earnings management is relatively low because the average is below one. The standard deviation value is 0.76.

Table 1 Descriptive Statistics

	N	Min	Max	Mean	Std. Deviation
EM_DA	218	-1.54	2.07	0.23	0.76
GCG_IndComm	218	0	1	0.97	0.17
GCG_ManOwn	218	0	1	0.76	0.42
GCG_InstOwn	218	0	1	0.79	0.4
GCG_AuditComm	218	0	1	0.28	0.45
Firm Value(Q)	218	0.146	2.783	1.059	0.51
Lev	218	0.06	1.88	0.47	0.24
FS	218	11.82	19.67	14.55	1.64
Valid N (listwise)	218				

Good corporate governance variables measured using independent commissioners, managerial ownership, institutional ownership and audit quality measured using dummy variables have a minimum value of 0 and a maximum value of 1. The standard deviation value is 0.18 and the average value of independent commissioners is 0.97. This means that 97% of the companies sampled already have 30% or more than 30% of independent commissioners and have met the applicable regulations. The standard deviation value of managerial ownership is 0.43 and the average value is 0.76, meaning that 76% of company managers own shares in the company. The standard deviation value of institutional ownership is 0.41 and the average value is 0.79, which means that institutional companies own as much as 79% of shares in the company. The standard deviation value of audit quality is 0.450 and the average value is 0.28, meaning that 28% of the companies in the study sample used KAP Big Four accounting firms.

The firm size variable as the control variable has a minimum value of 11.82 and a maximum value of 19.67, an average value of 14.56 and a standard deviation of 1.64, because it has a standard deviation value that is smaller than the average value, it can be concluded that the average sample company has the similar company size. The leverage variable as a control variable has a standard deviation value of 0.24, a minimum value of 0.07 and a maximum value of 51.89, an average value of 0.48, which means that the average sample company has a total debt of 0.48 times compared to its own capital.

3.2. Hypothesis Testing

The results of the earnings management variable test show the t value of 1.774 with a significance result of 0.078. This significance value is greater than the significance level of 0.05. Based on the results of the t test, H1 is rejected, which means that the earnings management variable does not have a significant effect on firm value.This could be because the earnings management actions carried out by the management might still be under the prevailing financial accounting standards which result. This might be explained by the low level of earnings managements found on the sample of this study, therefore it does not further affect firm value. This finding is in line with Mawati (2017) and Kristanti (2016) who found that earnings management does not affect firm value. However, the result of this study is not in line with Herawaty (2008) and Pertiwi (2010).

Table 2 Statistical Result

	H1	**H2**	**H3**
	H1 Coefficients	H2 Coefficients	H3 Coefficients
	H1 B	H2 B	H3 B
(Constant)	-0.77	0.226	1.633
	-2.641	0.653	0.944
EM_DA	0.079		-1.504
	1.774		-0.896

GCG_IndComm		-0.113	-1.569
		-0.668	-0.914
GCG_ManOwn		0.136	0.123
		1.894	1.606
GCG_InstOwn		-0.002	-0.023
		-0.031	-0.282
GCG_AuditComm		0.57*	0.527*
		7.416*	5.951*
EM*IndComm			1.437
			0.837
EM*ManOwn			0.006
			0.05
EM*InstOwn			0.067
			0.643
EM*AuditComm			0.067
			0.627
Lev	0.416*	0.53*	0.515*
	2.966*	4.276*	3.891*
FS	0.111*	0.029	0.035
	5.602*	1.375	1.561

The test results for the firm size variable, which is a control variable that serves to ensure that the influence of the independent variable and the dependent variable is not influenced by external factors that are not examined and also to improve the accuracy of this research. The firm size shows a t value of 5.602 and a significance value of 0.000. This means that firm size has a significant effect on firm value. The regression coefficient for the firm size variable is positive. So it can be concluded that large companies will have a higher firm value. The results of testing the leverage variable shows a t value of 2.966 and a significance value of 0.03. Based on the significant results of 0.03 < 0.05, the leverage variable has a significant effect on firm value.

Good corporate goverance have an impact on firm value. This is supported by the statistical result of 0.000<0.05, which indicates that good corporate governance significantly affects firm value. Therefore, H2 is supported. Furthermore, The independent commissioner variable shows the result of t with a value of -0.668 and a significance value of 0.505. The significance value of 0.505 > 0.05, this could be due to the fact that the average composition of independent commissioners in the sample companies might not supervise or dominate every policy taken by the board of commissioners and company management (Prastuti & Budiasih, 2015). So it can be concluded that H2a which states that "independent commissioners have a significant effect on firm value" is rejected.

The managerial ownership variable shows the t result with a value of 1.894 and a significance value of 0.060. The significance value is greater than 0.05, this could be because with the share ownership by the management might not been able to ensure that management acts in the principal's interest. So it can be concluded that H2b which states "managerial ownership has a significant effect on firm value" is rejected. The institutional ownership variable shows the t result with a value of -0.031 and a significance value of 0.976. The significance value is 0.976 > 0.05, this means that a large number of shareholders might not be effective in supervising or monitoring the behavior of managers in the company and there is information asymmetry between investors and management, where investors do not necessarily fully know the information held by management. So it can be concluded that H2c which states "institutional ownership has a significant effect on firm value" is rejected.

The audit quality variable shows the result of t with a value of 7.416 and a significance value of 0.000. A significance value of 0.000 < 0.05, meaning that audit quality has a significant effect on firm value, this means that the financial statements audited by KAP Big Four have a high level of confidence, so that investors fully trust the audited financial statements and can improve firm value (Pertiwi, 2010). Therfore, H2d which states "audit quality has a significant effect on firm value" is accepted.

The firm size variable as the control variable shows the t result with a value of 1.375 and a significant value of 0.171. With the significance value 0.171 > 0.05, it can be concluded that the firm size variable does not have a significant effect on firm value. The leverage variable as the control variable shows the t result with a value of 0.530 and a significant value of 0.000. The significance value of 0.000 is less than 0.05, it can be concluded that the leverage variable has a significant effect on firm value.

The result of statistics shows that the corporate governance as proxied using Indpendent Commissioner, managerial ownership, institutional ownership, and audit committee were not able to moderate the relationship between earnings management and firm value. The results of the H3a test regarding the effect of independent commissioners on the relationship between earnings management and firm value can be seen from the interaction test between earnings management and independent commissioners (EM*IndComm). Based on the results of multiple regression tests, the t value is 0.837 with a significance of 0.403. The significance value of 0.403 is greater than 0.05, this means that the independent commissioner does not have an influence that can moderate the relationship between earnings management and firm value. Independent commissioners also might not directly affect the company's financial reporting, because not all independent commissioners are involved in overseeing the company's financial reporting process. So it can be concluded that H3a which states "independent commissioners moderate the relationship between earnings management and firm value" is rejected.

The results of the H3b test regarding the effect of managerial ownership on the relationship between earnings management and firm value can be seen from the interaction test between earnings management and managerial ownership (EM*ManOwn). Based on the results of multiple regression tests, it shows the t value of 0.050 with a significance of 0.960. The significance value of 0.960 is greater than 0.05, this means that managerial ownership does not have an influence that can moderate the relationship between earnings management and firm value. Therefore, it can be concluded that H3b which states "managerial ownership moderates the relationship between earnings management and firm value" is rejected.

The results of the H3c test regarding the effect of institutional ownership on the relationship between earnings management and firm value can be seen from the interaction test between earnings management and institutional ownership (EM*InstOwn). Based on the results of multiple regression tests, it shows the t value of 0.643 with a significance of 0.521. The significance value of 0.521 is greater than 0.05, this means that institutional ownership does not have a moderate influence on the relationship between earnings management and firm value. So it can be concluded that H3c which states "institutional ownership moderates the relationship between earnings management and firm value" is rejected.

The results of the H3d test regarding the effect of audit quality on the relationship between earnings management and firm value can be seen from the interaction test between earnings management and audit quality (EM*AuditComm). Based on the results of multiple regression tests, it shows the t value of 0.627 with a significance of 0.532. The significance value of 0.532 is greater than 0.05, this means that audit quality does not have an influence that can moderate the relationship between earnings management and firm value, where the companies in the average sample have not used KAP Big Four to audit their companies.Therefore, the hypothesis of "Audit quality moderates the relationship between earnings management and firm value" is rejected.

4. CONCLUSION

Earning management action does not have a significant effect on firm value. This means that earnings management actions taken by the agent will not have an impact on firm value. This could happen because earnings management actions carried out within the company are still based on prevailing financial accounting standards, and therefore do not affect firm value. The results of this study found that earnings management actions that are taken might not be responded by the investors which will have an impact on the value of the company.

Partially from the four variables, that is independent commissioner, managerial ownership, institutional ownership, and audit quality, only the audit quality variable affects firm value. However, at the same time, good corporate governance has a positive influence on firm value, meaning that the firm value will increase if the company implements good corporate governance practices in the company.Furthermore, good corporate governance as a moderating variable that can strengthen or weaken the direct relationship between the independent variable and the dependent variable, proxied by independent commissioners, managerial ownership, institutional ownership, and audit quality was not able to moderate the relationship between earnings management and firm value, it means that the implementation of good corporate governance is not significant in earnings management actions towards firm value. Improvement in corporate governance implementation

need to take place. Management needs to make sure that the components in corporate governance are not only to formally comply the regulations, but to perform the duties assigned.

Companies may pay attention to determining the audit firm that will audit the company's financial statements, because audit quality has a significant effect on firm value. The result suggest that by using the service from the big four audit company, it might affect the firm value. However, since this research only use dummy variable to measure the audit quality, it can't be concluded that the big four audit company is better than the non-big four audit company. The implementation of good corporate governance must also be considered so that it can be implemented properly in the company since the result of this study proposes that good corporate governance affects firm value.

In measuring good corporate governance, only independent commissioners, managerial ownership, institutional ownership, and audit quality are used as proxies, while there are still many measurements that involve more aspects, This study only uses a sample of companies in the manufacturing sector in 2016-2019 listed on the IDX so that the results of this research cannot be used to generalize all industrial sectors because every other industrial sector has different characteristics and the research period is only carried out for a period of four years.

Future research can also examine other sector other than the manufacturing sector. Further research also needs to identify the proxies of other moderating variables of good corporate governance to find out how it affects the relationship between earnings management and firm value, and can also use the CGPI score in measuring good corporate governance, as well as adding other moderating variables such as corporate social responsibility in analyzing the effect on earnings management and firm value and other firm value calculation also can be used.

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