ANALYSIS OF PROFIT MANAGEMENT IN TRANSPORTATION COMPANIES ON THE INDONESIAN STOCK EXCHANGE

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ABSTRACT

This study aims to determine*Profitability influence, financial leverage*and company size on Profit Management in transportation companies on the Indonesia Stock Exchange (BEI).
The data used in this study is secondary data taken from the annual reports of transportation companies listed on the Indonesia Stock Exchange (IDX) for the period 2009-2011, in the form of ICMD data. The analytical model used in this study is Multiple Regression Analysis. This analytical model was chosen because this study was designed to examine the influence of independent variables on the dependent variable.
The results of the study show that the variables*Profitability (ROA)*does not contribute to the improvement of earnings management, the variable*financial Leverage*does not contribute to increasing earnings management, and the Company Size variable does not contribute to increasing earnings management.

Keywords : *Profitability, Financial Leverage,* Company Size, Earnings Management

INTRODUCTION

The medium that connects lenders to companies is financial reports. According to Financial Accounting Standards (FAS), complete financial reports, including the balance sheet, income statement, and statement of changes in financial position, are a means of accountability prepared and presented by management (companies) for the relevant resources. The financial information that often attracts the attention of financial report users is the company's performance information, as seen from the profits earned. However, users of financial reports pay little attention to how those profits are generated and then presented in the financial reports. This encourages company management to engage in earnings management (*earnings management*), both those regulated and those outside the rules of Generally Accepted Accounting Principles (*Generally Accepted Accounting Principles*).

Earnings management (*earnings mangement*) is a phenomenon that is difficult to avoid because this phenomenon is the impact of the use of accrual basis in preparing financial reports. In practice, it is indicated that managers take these actions to maximize the company's market value (Scott, 2006). This study attempts to explore more deeply the various models of earnings management with cases that occurred in the Indonesian capital market to provide a comprehensive (integrated) picture of earnings management actions by managers. Earnings management is an attempt to change, hide, and manipulate the figures in financial reports by manipulating the accounting methods and procedures used by the company (Sulistyanto 2008:15).

Nelson *et al.*(2000) examined earnings management practices carried out by management in the United States and identified the reasons why auditors allowed

earnings management to go uncorrected. Using data from 526 earnings management cases obtained through a survey of public accounting firms classified as...*the big five* it was concluded that: (1) 60% of the sample carried out profit management efforts which had an impact on increasing current year profits., The remaining 40% has an impact on decreasing profits, (2) the most frequently carried out profit management is related to reserves (*reserve)*, then based on the order of frequency of occurrence are: revenue recognition, merger of business entities*(business combination)*, intangible assets, fixed assets, investments, leases.

Management effectiveness can be measured from the profit generated from sales and investment, which is usually called*profitability*. *Profitability*Profitability is a company's ability to generate profits, where each measurement is linked to sales volume, total assets, and equity (Lukman, 2005:59). Profitability is used to measure a company's efficiency in generating profits over a specific period. Profitability is emphasized because, to survive, a company must be profitable in both the short and long term.

Company size also influences management in conducting earnings management, the larger the company, the less earnings management because usually more information is available to investors in making decisions regarding investment in the company's shares. Choi (2002) found that larger companies have less incentive to conduct earnings management than smaller companies because large companies are viewed more critically by outsiders.

Another factor that influences management to carry out earnings management is*leverage*. Companies that have a ratio*leverage* high, meaning the proportion of debt is higher compared to the proportion of assets, there will be a tendency to manipulate in the form of profit management (Widyaningdyah, 2001). In relation to*leverage*One alternative source of corporate funding besides selling shares on the capital market is through external funding in the form of debt. Companies will strive to fulfill debt covenants to obtain favorable ratings from creditors. This can then motivate managers to engage in earnings management to avoid debt covenant violations. The greater a company's debt, the greater the risk faced by investors, leading them to demand higher rates of return. As a result, companies tend to engage in earnings management practices. Another reason companies engage in earnings management is to avoid debt covenant violations, which can be seen in the company's ability to repay its debt using its assets.

So that financial reports can reflect whether a company is performing well or not, investors can assess the company's growth opportunities. This can be seen in the net profit figures shown below:

Table 1. Profit Management Conditions 2015-2017

No	Company name	2015	2016	2017
1	PT. Berlian Laju Taker, Tbk	-0,00	0,25	-015
2	PT. Arpeni Pratama Ocean Line, Tbk	1,23	5,52	1,40
3	PT. Golden Tempuran Shipping, Tbk	-0,16	0,167	-0,54
4	PT. Tanah Laut, Tbk	1,33	0,98	-4,58
5	PT. Humpuss Intermoda Transportasi, Tbk	0,87	-0,78	-0,32
6	PT. Indonesia Air Transport, Tbk	0,27	-0,19	0,22
7	PT. Steady Safe, Tbk	-0,46	2,09	-2,63

8	PT. Samudera Indonesia, Tbk	-0,23	0,02	-0,03
9	PT. Centris Multi Persada Pratama, Tbk	-0,62	0,15	2,68
10	PT. Panorama Transportasi, Tbk	0,00	-0,05	-0,02
11	PT. Garuda Indonesia, Tbk	0,06	-0,01	-0,03
12	PT. Mitra International Resource, Tbk	-2,09	-0,22	-4,89
13	PT. Mitrabahtera Segara Sejati, Tbk	0,13	-0,07	-0,31
14	PT. Rig Tenders, Tbk	-0,00	-0,26	0,33
15	PT. Trade Maritime, Tbk	1,88	-1,35	0,64
16	PT. Wintermar Offshore Marine, Tbk	-0,17	-0,22	-0,26
17	PT. Buana Listya Tama, Tbk	-0,21	-1,25	0,31
18	PT. Zebra Nusantara, Tbk	-0,76	-0,08	-0,26
Amount		**1,2635**	**5,7049**	**-9,0797**
Rate-Rate		**0,070**	**0,3169**	**-0,5044**

Source: ICMD

The results of the data collection indicate that profit management in transportation companies has decreased. A negative sign indicates that there is a*income decreasing accruals*(minimizing profit) and a positive sign indicates*income increasing accruals*(maximizing profits) (Utami, 2005). Earnings management has a negative value because the earnings management indicator, namely working capital accrual, has a negative value. This means that the company's assets have decreased, so the company tends to engage in earnings management. This is due to several influencing factors, namely*profitability*, *financial leverage*and company size.

The company's goal is to expect managers to act in the interests of shareholders. However, management acts contrary to the company's goals, creating a conflict of interest between managers and shareholders. Based on studies by McNichols (2000) and Dechow and Skinner (2000), the earnings management proxy used by the author is a specific accrual model, namely working capital accruals. The use of working capital accruals is more appropriate, as reviewed by Peasnell.*et al.*(2000). Discretionary accruals are not estimated based on residual errors because the technique is considered relatively complicated, therefore the proxy ratio of working capital accruals to sales is used. The reason for using sales as a deflator for working capital accruals is because earnings management often occurs in sales accounts, as stated by Nelson.*et al.*(2000).

The method used in this sampling is the saturated or census sampling technique. The definition of saturated or census sampling according to (Sugiyono 2008:122), is Saturated or census sampling is a sampling determination technique when all members of the population are used as samples.

Widyaningdyah (2001) in his research concluded that companies that are threatened with violating debt agreements tend to carry out profit management by increasing profits in order to improve their bargaining position during renegotiations or as an effort to...*go public* to obtain fresh funds due to difficulties in finding loan funds. Meanwhile, profit management for companies that*go public* conducted on the company's financial report prospectus before*POSITION*so that investors are interested in investing their capital.

Theoretical basis

Profitability

*Profitability*or profitability is the company's ability to generate profits.*Profitability*reflects the return on financial investments. Profitability ratios are a group of ratios that show the combined effect of liquidity, asset management, and debt on operating results (Brigham and Houston, 2001).*Profitability ratio* is a ratio used to measure a company's ability to generate profits in relation to sales, total assets, and equity (Agus Sartono, 2008). This ratio is closely monitored by potential investors and shareholders because it is related to the share price and dividends received.*Profitability*as a benchmark in determining financing alternatives, but the way to assess*profitability*a company is diverse and very dependent on profits and assets or capital which will be compared from profits originating from company operations or profits*net*after tax with own capital. With the existence of various methods in research*profitability*It is not surprising that in a company there are several companies that have differences in determining an alternative for calculating*profitability*. This is not a must but the most important thing is*profitability*which will be used, its purpose is solely as a measuring tool*efficiency*use of capital within the company concerned.

Financial Leverage

Weston and Brigham (2001:79) state*the higher use of fixed-income securities (in this case debt) will have higher financial leverage, on the contrary the lower the use of fixed-income securities, the financial leverage will also be lower*This means that the higher the use of fixed income securities (in this case debt), the higher the*financial leverage* also the higher, and vice versa the lower the use of fixed income securities, the lower*financial leverage* will also decrease. Debt is used to meet the company's funding needs so that the company can operate, invest, and develop its business.*Financial leverage*describes the relationship between total assets and share capital or shows the use of debt to increase profits (Wild et al. 2001).

*Financial leverage*namely a measure of the financial risk of financing part of a company's assets, shown in the financing of the fixed assets which bear the fixed financing burden in the hope that it will help increase profits for the owner (Siegel, Joel G & Sim Jae K, 2000).

Company Size

Financial experts classify company size or measure the size of a company in various ways so that large and small companies can be distinguished quantitatively.

Company size indicates the size of a company, as measured by sales levels, number of employees, or total assets. A company's size will influence its ability to bear the risks that may arise from various situations it faces related to its operations. Company size will also impact its ability to obtain necessary funding.

Company size in this study is measured by the value of the company's assets. Asset value is used as a variable for company size because so far there are still...*compounding effect*which arises because large companies are always identified with large asset values (Salno and Baridwan, 2000)

Company size is a variable measured by the total assets of the sample companies. This total assets is then transformed into the natural logarithm (Ln).

Suwardjono (2002:71) states that assets are wealth or economic resources controlled by a company and used by the company to achieve its goals. The size of the assets owned can affect the stock returns received by investors.

Company size is one of the factors investors consider when making investments, as large companies are considered to have reached maturity, reflecting their relative stability and ability to generate profits. Large companies are considered to have lower risk than small companies. This is because large companies are considered to have a smaller beta, a systematic measure (Jogiyanto, 2000).

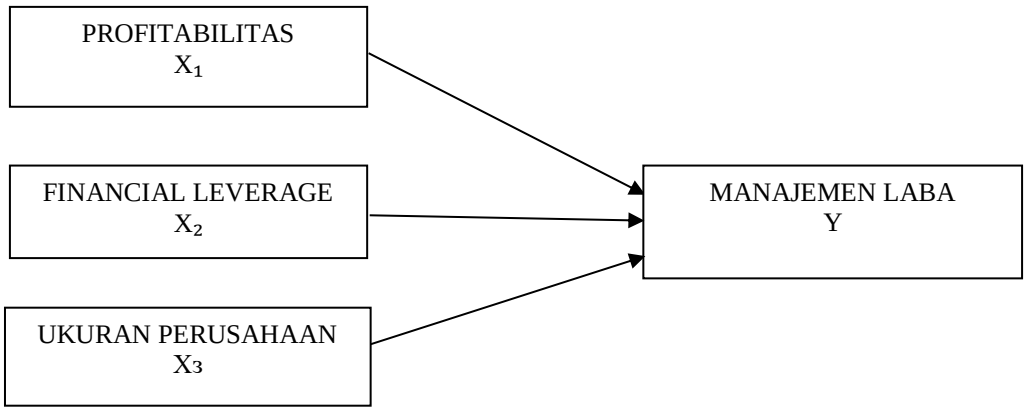
Earnings Management

According to Inten (2004), earnings management is an intervention in the external financial reporting process with the aim of gaining personal benefits. It can be concluded that earnings management encompasses management's efforts to maximize or minimize profits, including smoothing earnings according to management's wishes.

Setiawati and Na'im (2000) state that earnings management is interference in the external financial reporting process with the aim of self-benefiting. Earnings management itself can reduce the credibility of financial reports, increase bias in financial reports, and lead users of financial reports to believe the manipulated earnings figures are genuine earnings figures.

Scott (2000) divides the understanding of earnings management into two ways. First, he views it as the opportunistic behavior of managers to maximize their utility in the face of compensation contracts, debt contracts, and*political cost (opportunistic management*). Second, by looking at earnings management from the perspective*efficient contracting* (*efficient earning management*), where earnings management gives managers the flexibility to protect themselves and the company in anticipating unexpected events for the parties involved in the contract. Thus, managers can influence the market value of their company's shares through earnings management, for example by smoothing earnings (*income smoothing*) and profit growth over time.

Conceptual Framework



Hypothesis

Based on the problems above and from the description of the theoretical basis, the following hypothesis can be drawn:

a. Profitability has a significant negative effect on earnings management in transportation companies listed on the IDX.
b. *Financial Leverage* influential significantly positive on profit management in transportation companies listed on the IDX.
c. Company size has a significant negative effect on profit management in transportation companies listed on the IDX.

RESEARCH METHODS

Operational Definition and Measurement of Variables

The operational definition in this case is intended to explain and describe the variables used in research and the operational measurement of research variables based on existing theories and empirical experiences.

The operational definitions and measurement of variables used in this study are divided into:

1. Dependent Variable (Y)

The dependent variable is a variable that cannot stand alone and its value depends on the results of the observation. The dependent variable (Y) in this study is earnings management. Earnings management is an attempt to change, hide, or manipulate figures in financial reports by manipulating the accounting methods and procedures used by the company (Sulistyanto 2008:15). In this study, it is explained using the basis of the accrual ratio of working capital to sales as follows (Pasnel et al. in Utami 2005):

Working capital accrual = Δ AL - ΔHL – Δcash

Earnings Management (ML) $= \frac{\text{Akrual Modal Kerja (t)}}{\text{Penjualan Periode (t)}} = \frac{\text{Akrual Modal Kerja (t)}}{\text{Penjualan Periode (t)}}$

Information :
ΔAL = Change in current assets in period t
ΔHL = Change in current liabilities in period t
Δcash = Change in cash and cash equivalents in period t

Working capital accrual data can be obtained directly from the operating activity cash report, so investors can directly obtain this data without performing complicated calculations.

2. Independent Variable (X)

An independent variable is a variable that can stand alone and its value does not depend on the results of observations. There are three independent variables (X) in this study, namely:

1. Profitability (X_1)

The profitability ratio is the company's ability to earn profits, including many ratios. The ratios used are:*Return On Asset*(ROA) is a ratio that indicates a company's ability to generate profits using its total assets. The calculation is as follows (Hanafi and Halim, 2003):

$$\textit{Return On Asset}(\text{LENGTH}) = \frac{\text{LabaBersihSetelahpajak}}{\text{Total Active}}$$

2. *Financial Leverage* (X_2)

Financial leverage is to describe the relationship between total assets and share capital or show the use of debt to increase profits (Wild, et al. 2001).*Financial Leverage* appears with the formula:

$$\textit{Financial Leverage} = \frac{TotalDebt}{TotalAsset} = \frac{TotalDebt}{TotalAsset}$$

3. Company Size (X_3)

Company size is a measure of the company that shows the size or smallness of the assets owned by a company (Suwardjono (2002) in Endang (2009). Systematically, the size variable is formulated as follows (Chen, 2005):

Size = Log Total Asset

Sampling Determination Techniques

Population

A population is all individuals to be studied who share at least one trait whose characteristics are to be predicted (Jogiyanto, 2005). The population of this study is transportation companies listed on the Indonesia Stock Exchange (IDX). The research period covers data from 2015 to 2017 to better reflect current conditions. The population in this study is the financial reports of 18 companies operating in the transportation sector that have been*go public*on the Indonesia Stock Exchange.

Sample

A sample is a portion or several members of a population (Jogiyanto, 2005). The method used in this sampling uses a saturated or census sampling technique. The definition of saturated or census sampling according to (Sugiyono 2008:122) is Saturated or census sampling is a sampling determination technique when all members of the population are used as samples. Based on this understanding, it can be seen that saturated or census sampling is a sampling determination technique using all members of the population. So the number of samples used in this study is 18 transportation companies listed on the Indonesia Stock Exchange in 2015-2017.

Analysis Techniques and Hypothesis Testing

Analysis Techniques

To analyze the influence of Company Size, Profitability (ROA) and Financial Leverage on Earnings Management, this study uses multiple linear regression analysis with the following formula:

$$Yi = \beta o + \beta_1 X_1 + b_2 X_2 + \beta_3 X_3 + no$$

Where :

Do = Earnings management

X_1 = Profitability

X_2 = Financial Leverage

X_3 = Company Size

b = Constant

$b_1 b_2$Oh my.. = Regression coefficient

and = Confounding variables

i = Observation

Meanwhile, to find out whether the analysis model is suitable for use in research, and to find out to what extent the independent variable is able to explain the dependent variable, it is necessary to know the R^2 (regression coefficient) using the formula:

$R^2 = \frac{JK.regresi}{JK.total} \frac{JK.regresi}{JK.total}$ .....(Sudrajat,1998:84)

Notation:

R^2 = Coefficient of determination

JK = Sum of Squares

Hypothesis Testing

a. Uji t

This test is conducted to determine the relationship or influence of the independent variable with the dependent variable partially on the dependent variable. The testing criteria using the t-test are as follows:

A. Formulate the following hypothesis:

Ho : βi = 0, means there is no influence between the independent variable and the dependent variable.

Hi : βi≠≠ 0, means there is an influence between the independent variable and the dependent variable.

B. The t-test can be calculated using the following formula:

$t\ count = \frac{\beta i}{Se\ (\beta i)} = \frac{\beta i}{Se\ (\beta i)}$ ..... (Sudrajat, 1998 : 24)

With degrees of freedom of (n-k-1), namely:

β = Regression coefficient

Se = Standard error

i = Independent variable (i= 1,2,3,4.....)

Testing rules:

1. If t count > t table then Ho is rejected and Hi is accepted, meaning there is an influence between the independent variable and the dependent variable.
2. If t count <t table then Ho is accepted and Hi is rejected, meaning there is no influence between the independent variable and the dependent variable.

b. F Statistical Test (Comprehensive or Simultaneous Test)

The F-test is used to determine whether the independent variables (ROA, LEV, and SIZE) simultaneously have a significant influence on the dependent variable (profit changes). The F-test procedure uses the following formula:

1. Formulating Hypotheses:
   a. H_{the}: $b_1, b_2, b_3 = 0$ (simultaneously there is no influence of X_1, X_2, X_3against Y).
   b. H_i : One of $\beta_1, b_2, b_3 \neq 0$ (simultaneously there is an influence of X_1, X_2, X_3against Y).
2. Determine the level of significance, namely 0.05 (α=0.05), with degrees of freedom = (n-k-1)
   Where :
   n : number of data
   k : number of independent variables

3.Comparing F_{count} with $F_{table.}$

F-value$_{count}$ can be found using the formula (Gujarati, 1999)

$$F_{count} = \frac{R^2/k}{(1-R^2)/(n-k-1)} = \frac{R^2/k}{(1-R^2)/(n-k-1)}$$

F_{count} =Calculation results

R^2 = Coefficient of determination

k= Number of independent variables

n = Amount of data

Basis for decision making:

a. If $F_{count} > F_{table}$, eye H_0 rejected and H_i accepted means that the independent variables together (simultaneously) have a significant effect on the dependent variable.

b. If $F_{count} < F_{table}$, eye H_0received and H_i rejected means that the independent variables together (simultaneously) do not have a significant effect on the dependent variable.

4. Based on the Probability (Significance) value, the basis for decision making is:
   a. If the probability < 0.05 then H_{the}rejected and H_i accepted means that the independent variables together (simultaneously) have a significant effect on the dependent variable.
   b. If the probability > 0.05 then H_{the}accepted and $H_i$rejected means that the independent variables together (simultaneously) do not have a significant effect on the dependent variable

RESEARCH RESULTS AND DISCUSSION

Data Analysis and Hypothesis Testing Techniques

Multiple Linear Regression Analysis

This analysis is used to see the clarity of the influence of independent variables (Profitability, Financial Leverage and Company Size) on the dependent variable (Earnings Management) or to determine whether or not there is an influence of independent variables on the dependent variable.

From the results of computer calculation analysis using the SPSS program, the results of multiple linear regression analysis were obtained as follows:

Table 2 Multiple Regression Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Say.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.483	.807		1.837	.073		
	Profitability	1.913	1.159	.282	1.651	.106	.659	1.518
	Financial Leverage	-.212	.464	-.079	-.456	.651	.644	1.553
	Company Size	-.215	.137	-.228	-1.565	.125	.903	1.108

a. Dependent Variable: Manaj Laba

Based on table 2 above, the multiple linear regression equation can be seen as follows:
$Y = a + b_1X_1 + b_2X_2 + \beta_3X_3 + no$
Y = 1.483 + 1.913 ROA – 0.212 LEV – 0.215 SIZE

From the multiple linear regression equation above, it can be described as follows:
a. Constant (βo) = 1.483
This means that without the influence of the variables Profitability (X1), Financial Leverage (X2), and Company Size (X3), the Earnings Management value is 1.483.
b. Regression coefficient X1 (β_1) = 1,913
The coefficient value of profitability (ROA) is 1.913 and is positive, indicating a unidirectional change between profitability (ROA) and earnings management. This means that if profitability (X1) increases by 1%, the company's earnings management value will increase by 191.3%, assuming the variables Financial Leverage (X2) and Company Size (X3).
c. Regression coefficient X2 (β_2) = -0,212
The coefficient value of Financial Leverage (Lev) is 0.212 and is negative, indicating an opposite change. This means that if Financial Leverage (X2) increases by 1%, the company's Earnings Management value will decrease by 21.2%, assuming the variables Profitability (X1) and Company Size (X3).
d. Regression coefficient X3 (β_3) =
The coefficient value for Company Size (Size) is 0.215 and is negative, indicating an opposite change. This means that if Company Size (X3) increases by 1%, the company's Earnings Management value will decrease by 21.5%, assuming the variables Profitability (X1) and Financial Leverage (X2).

Classical Assumption Test Analysis
Normality Test

The normality test is used to determine whether a data population is normally distributed. A regression model in which the dependent and independent variables, or both, have a normal distribution or not. In this test, the normality test will be used.*One-Kolmogorov-Smirnov sample*using a significance level of 0.05. If the significance value is > 0.05, then the data is normally distributed. The following are the results of the normality test:

Table 3

One-Sample Kolmogorov-Smirnov Test

		Earnings Management	Profitability	Financial Leverage	Company Size
N		48	48	48	48
Normal Parameters[a,b]	Mean	-.00083	-.02875	.58417	6.07750
	Std. Deviation	.761236	.112205	.283142	.809440
Most Extreme Differences	Absolute	.194	.205	.140	.106
	Positive	.194	.087	.140	.102
	Negative	-.171	-.205	-.079	-.106
Kolmogorov-Smirnov Z		1.346	1.422	.973	.731
Asymp. Sig. (2-tailed)		**.053**	**.035**	**.300**	**.659**

a. Test distribution is Normal.
b. Calculated from data.

Normality Test Results

From the results of table 3, using the test*Kolmogorov-Smirnov*By using this test, the analysis results show that not all variables studied have a normal distribution, only the variables Profitability (0.035), Financial Leverage (0.300) and Company Size (0.659) have a normal distribution where the Asymp. Sig (significance) value is greater than 0.05, so it can be concluded that some of the data do not meet the assumption of normal distribution.

Multicollinearity Test

The multicollinearity test aims to test whether the regression model finds a correlation between independent variables (*independent*) in multiple regression. A good regression model should not have any correlation between independent variables. Detecting the presence of multicollinearity, namely:

a. The size of VIF (Variance Inflation Factor) and Tolerance
b. If the VIF exceeds 10, the variable indicates multicollinearity. (Gujarati)
c. Eigenvalue value is close to 0 (Singgih Santoso)
d. Condition Index exceeds 15 (Singgih Santoso)

In testing the classical assumptions of this multiple linear regression analysis, it is stated that the results of this research analysis show no symptoms of multicollinearity in all independent variables where the VIF value in all variables is (less than 10). The condition for multicollinearity to occur is if the VIF value (*Variance Inflation Factor*) >10 (Cryer, 1994: 681). The following are the results of the multicollinearity test: The following are the test results for each variable:

Table 4. Multicollinearity Test Data
Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Say.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	1.483	.807		1.837	.073		
Profitability	1.913	1.159	.282	1.651	.106	.659	1.518
Financial Leverage	-.212	.464	-.079	-.456	.651	.644	1.553
Company Size	-.215	.137	-.228	-1.565	.125	.903	1.108

a. Dependent Variable: Manajemen Laba (Y)

In testing the classical assumptions of this multiple linear regression analysis, it states that the results of this research analysis show that there are no symptoms of multicollinearity in all independent variables where the VIF value for all variables (less than 10) is Profitability has a VIF value of 1.518, Financial Leverage has a VIF value of 1.553 and Company Size has a VIF value of 1.108.

Autocorrelation Test

The autocorrelation test aims to test whether in a linear regression model there is a correlation between the disturbance error in period t and the disturbance error in period $t-_1$(previously). Diagnosis of autocorrelation is carried out by testing the test values.*Durbin Watson*(uji DW).

Note: Autocorrelation in most time series data.

Autocorrelation Detection:

a. The magnitude of the Durbin Watson number

Benchmark: D-W numbers below –2 have autocorrelation (positive)
D-W numbers above +2 indicate autocorrelation (negative)
Numbers are between –2 to +2. There is no autocorrelation.

b. Or compare with the Durbin Watson Table

Table 5 Durbin Watson Statistical Test

DW Statistical Value	DW Statistical Value	Results
0 < DW < dL	0 < DW< 1,22	Reject the null hypothesis; there is positive autocorrelation
dL ≤ DW ≤ dU	1,22 ≤ DW ≤ 1,73	Area of doubt; no decision
dU ≤ DW ≤ 4 – dU	1,73 ≤ DW ≤ 2,27	Accepting the null hypothesis; there is no positive/negative autocorrelation
4 – dU ≤ DW ≤ 4 – dL	2,27 ≤ DW ≤ 2,78	Area of doubt; no decision
4 – dL ≤ DW ≤ 4	2,78 ≤ DW ≤ 4	Reject the null hypothesis; there is negative autocorrelation

The following are the results of the Autocorrelation Test:

Table 6. Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.393[a]	.154	.097	.723451	2.201

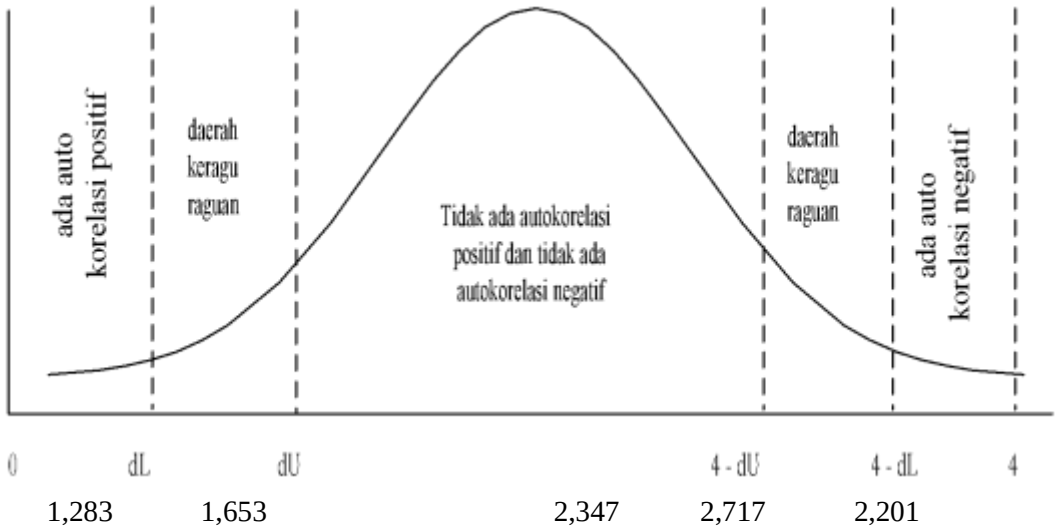
a. Predictors: (Constant), Company Size, Profitability, Financial Leverage

b. Dependent Variable: Profit Management

In table 6, for the classical assumption that detects the presence of autocorrelation, here it can be seen from the analysis results which show that the Durbin Watson value is 2.201, this indicates that the linear regression model accepts the null hypothesis; there is no positive/negative autocorrelation.

Identification of autocorrelation symptoms can be done using the following curve:

Figure 2. Autocorrelation Curve



For the classical assumption that detects the presence of autocorrelation here, it can be seen from the analysis results that show the results that the Durbin Watson value is 2.201, this indicates the absence of autocorrelation symptoms. The Durbin Watson (DW) value table with observation data (n) = 35 with the number of independent variables = 3 and a significance level = 0.05 (5%) obtained dl = 1.283 and du = 1.653. Because the Durbin Watson (DW) value is between the du = 1.653 and 4-du values, there is no autocorrelation.

Uji Heteroskedasticity

Heteroscedasticity **:**The variance of residuals from one observation to another has a different variance. If it is the same, it is called homoscedasticity. A good regression model does not have heteroscedasticity.

Table 7

Correlations

			Profitability	Financial Leverage	Company Size	Unstandardized Residual
Spearman's rho	Profitability	Correlation Coefficient	1.000	-.442**	.227	-.174
		Sig. (2-tailed)	.	.002	.120	**.238**
		N	48	48	48	48
	Financial Leverage	Correlation Coefficient	-.442**	1.000	.279	.099
		Sig. (2-tailed)	.002	.	.054	**.505**
		N	48	48	48	48
	Company Size	Correlation Coefficient	.227	.279	1.000	.131
		Sig. (2-tailed)	.120	.054	.	**.376**
		N	48	48	48	48
	Unstandardized Residual	Correlation Coefficient	-.174	.099	.131	1.000
		Sig. (2-tailed)	.238	.505	.376	.
		N	48	48	48	48

**. Correlation is significant at the 0.01 level (2-tailed).

Heteroscedasticity test results

The results of the analysis show that the variables Profitability (0.238), Financial Leverage (0.505) and Company Size (0.376) do not have a significant correlation between the residual and the independent variables (Sig value is greater than 0.05), so the results of this analysis can be concluded that all research variables do not experience Heteroscedasticity.

Hypothesis Testing

The following are the results of simultaneous hypothesis testing of the variables Profitability (X1), Financial Leverage (X2) and Company Size (X3) on Earnings Management (Y):

Table 8 Results of Hypothesis Testing F Test (Simultaneous)

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Say.
1	Regression	4.207	3	1.402	2.679	.058[b]
	Residual	23.029	44	.523		
	Total	27.236	47			

a. Dependent Variable: Profit Management

b. Predictors: (Constant), Company Size, Profitability, Financial Leverage

From table 8, the ANOVA test (*Analysis of Varians*) or the F test shows that the F value$_{count}$ of 2,679, while F$_{table}$of 2,816 degrees of freedom(n-k-1) = (48 - 3 - 1) = 44 ordenominator df = 44, numerator df = 3, and significance levelα = 0.05 untilF $_{count}$ (2.679) < F $_{table}$(2.816). Thus, thenH$_{the}$accepted and H$_{i}$rejected, meaning that the independent variables (Profitability, Financial Leverage and Company Size) together or simultaneously do not have a significant effect on the dependent variable (Earnings Management).

Based on the results of the F-test, the significance value (Sig) of 0.058 is greater than 0.05. This suggests that the use of the regression model in this study is inappropriate or insignificant. However, it is necessary to explain the results of the regression analysis using the partial t-test as follows:

Table 9. Hypothesis Test t-Test (Partial)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Say.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.483	.807		1.837	.073		
	Profitability	1.913	1.159	.282	1.651	.106	.659	1.518
	Finance Leverage	-.212	.464	-.079	-.456	.651	.644	1.553
	Measure Perush	-.215	.137	-.228	-1.565	.125	.903	1.108

a. Dependent Variable: Manaj Laba

The results of the hypothesis testing based on the results in table 4.14 above are as follows:

a. Partial Influence of Profitability (ROA) on Earnings Management.
   From the t-test of the variable X1 Profitability using a significance level of α = 0.106, it can be seen that*Profitability (ROA)*have t_{count} amounting to 1,651, while t_{table}amounting to 2,015. Until t_{count} (1.651) < t_{table}(2.015). ROA (X1) has no effect on Profit Management (Y) which is unacceptable with a level of [Sig. 0.106 > 0.05: Non-Significant [Positive]. So H0 accepted and Hi is rejected, meaning that the independent variable partially has no significant effect on Earnings Management.
b. The partial effect of Financial Leverage (LEV) on Earnings Management.
   From the t-test of the variable X2 Financial Leverage using a significance level of α = 0.651. Financial Leverage has a t_{count}as big as-0.456, while $t_{table}$is -2.015. So t_{count} (-0.456) > t_{table}(-2.015). *Financial leverage*(X2) has no effect on Profit Management (Y) which is unacceptable with a level of [Sig. 0.651 > 0.05: significant [negative]. So H0 is accepted and Hi is rejected, meaning that the independent variable partially has no significant effect on Earnings Management
c. Partial Influence of Company Size on Earnings Management.
   From the t-test of the variable X3 Company Size using a significance level of α = 0.125. Company Size has a t_{count}as big as -1.565,while t_{table}equal to -2.015. So -t_{count} (-1.565) > -t_{table}(-2.015). Company size (X3) has no effect on earnings management (Y) which is unacceptable with a level of [Sig. 0.125 > 0.05: Significant [negative]. So H0 accepted and Hi is rejected, meaning that the independent variable partially has no significant effect on Earnings Management.

So, the conclusion of the hypothesis test results is as follows:

1. Profitability (X1) does not affect Earnings Management (Y), it is unacceptable with a level of [Sig. 0.106 > 0.05: Non-Significant [Positive].
2. Company Financial (X2) has no effect on Profit Management (Y), it cannot be accepted with a level of [Sig. 0.651 > 0.05: Non-significant [negative].
3. Company Size (X3) has no effect on Profit Management (Y), which is unacceptable at a level of [Sig. 0.125 > 0.05: Non-Significant [negative].

The following are the results of the coefficient of determination test:

Table 10 Hypothesis Test of Determination Coefficient
Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.393[a]	.154	.097	.723451	2.201

a. Predictors: (Constant), Company Size, Profitability, Financial Leverage

b. Dependent Variable: Profit Management

In table 10, the multiple correlation coefficient (R) = 0.393 which shows that the relationship between the independent variables (X1), (X2) and (X3) with (Y) is weak.**.** Coefficient of determination (R^2) = 0.154 means that variable (Y) is influenced by independent variables (X1), (X2) by 15.4 percent, while the remaining 84.6 percent is influenced by variables other than the three independent variables in the model.

Discussion of Research Results

The Influence of Profitability on Earnings Management

The results of the study show that profitability is proxied by*return on asset* (ROA) has no significant and positive effect on profit management in transportation companies. This ratio illustrates the company's ability to generate profits through all available capabilities and resources, such as sales activities, cash, capital, number of employees, number of branches, and so on. Harahap (2001:301)

The higher a company's ROA, the higher the profit level achieved by the company and the better the company's position in terms of asset utilization (Dendawijaya, 2001:120). Therefore, the possibility of earnings management practices will decrease.

This is inconsistent with the hypothesis that ROA has a significant and negative effect, as Salno and Baridwan's research in Rahmawati (2008) found that ROA influences managers' earnings management practices. Archibalt's research in Herni and Yulius Kurnia Susanto (2008) explains that companies with low profitability tend to engage in earnings management.

The Effect of Financial Leverage on Earnings Management

The results of the study indicate that financial leverage has no significant and negative effect on earnings management in transportation companies. Financial leverage is defined as total debt to total assets according to Widyaningdiyah (2001: 9). The results of the hypothesis show that the hypothesis is rejected because regardless of the size of the company's debt, managers will not always engage in earnings management to avoid violating debt contracts. The results of this study are consistent with research by I Made Narsa (2003) which shows that the variable*financial leverage* does not affect earnings management actions.

This is not in accordance with the hypothesis that financial leverage has a positive effect, as in research conducted by J.C. Shanti and C. Bintang Hari Yudhanti (2007).*Leverage* As an effort to increase company profits, it can be a benchmark for observing manager behavior in terms of profit management.

Companies that have*leverage* high financial due to large debt compared to the assets owned by the company, suspected of carrying out profit management because the company is threatened*default*, namely, being unable to fulfill debt repayment obligations on time. And according to (Widyaningdyah, 2001), companies with higher ratios are suspected of engaging in earnings management, because the company is at risk of failing to fulfill debt obligations on time. Because large debts result in a higher ratio.*leverage* becomes large which results in increasing risk. So the larger*leverage*, then the risk borne by the capital owner will also increase.

The Effect of Company Size on Earnings Management

The research results show that company size has no significant and negative effect on earnings management in transportation companies. Company size is a measure of a company's size. Various proxies are commonly used to represent company size, including number of employees, total assets, sales, and market capitalization.

The larger the assets, the more capital invested, the more sales, the more money circulates and the larger the market capitalization, the more it is known in society (Sudarmadji and Sularto, 2007). This means that the larger the company size, the smaller the occurrence of profit management practices.

This contradicts the hypothesis that company size has a negative effect, as stated by Veronica and Utama (2005) in Nasution and Setiawan (2007:10-11), who reported that the variable that significantly influences the magnitude of earnings management is company size. The larger the company, the more estimates and assessments need to be applied to each type of company activity. Larger companies receive more public attention, so they are more careful in their financial reporting, resulting in more accurate reporting of their condition.

CONCLUSION AND SUGGESTIONS

Conclusion

From the research that has been conducted and the discussion of the research results in the previous chapter, the following conclusions can be drawn from the research:

a) Profitability is proxied by*return on asset* (ROA) does not contribute to earnings management. This demonstrates that profitability is unable to significantly reduce earnings management practices in transportation companies.
b) Financial Leverage Does Not Contribute to Earnings Management. This demonstrates that financial leverage is unable to significantly reduce earnings management practices in transportation companies.
c) Company size does not contribute to earnings management. This demonstrates that company size is incapable of significantly reducing earnings management practices in transportation companies.

Suggestion

Suggestions for further research are expected to be able to complement the limitations of this research by developing the following points:

a) It is necessary to consider different models or formulas that will be used in determining working capital accruals so that profit management can be seen from a different perspective.

b) In further research, it is hoped that other variables will be added. which may influence earnings management such as the frequency of audit committee meetings, the competence of the board of commissioners, ownership structure and audit committee.

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