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PENGARUH ADOPTSI *INTERNATIONAL FINANCIAL REPORTING STANDARD* TERHADAP KUALITAS INFORMASI AKUNTANSI

*Krismiaji
Y. Anni Aryani
Djoko Suhardjanto*

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ABSTRACT

This study examines the impact of IFRS adoption on the accounting information quality, in terms of relevance and faithful representation. Relevance is measured by predictive value quality and faithful representation is measured by absolute discretionary accrual as an inverse measure. Using a sample of 90 publicly listed companies on the Indonesian Stock Exchange for the fiscal year end December 31 2007 through 2010, this study present evidence of a positive impact of IFRS adoption on the accounting information quality both on relevance and faithful representation. This finding should be of interest to financial prepares initially adopting IFRS and standard setting bodies, especially in the transition period.

Keywords: IFRS, relevance, faithful representation

JEL classification: M48

PENDAHULUAN

Penelitian ini bertujuan untuk menguji pengaruh adopsi *International Financial Reporting Standard* (IFRS) terhadap kualitas informasi akuntansi. Hasil penelitian terdahulu tentang harmonisasi standar akuntansi cenderung tidak konsisten (Chen, Tang, Jiang, dan Lin, 2010). Sebagian hasil penelitian menunjukkan adanya kenaikan kualitas informasi, sedangkan sebagian lainnya menunjukkan adanya penurunan kualitas informasi pasca adopsi IFRS.

Penelitian yang menunjukkan penurunan kualitas informasi menyatakan bahwa manajer melaksanakan diskresinya secara oportunistik (Leuz, Nanda, dan Wysocki, 2003; Ball, Robin, dan Wu, 2003); standar yang tidak jelas mempersulit para auditor untuk membatasi para manajer dalam melakukan pilihan pelaporan secara berlebihan (Nelson, 2003); hanya ada sedikit bukti bahwa mekanisme *enforcement* di seluruh dunia menguat setelah adopsi diwajibkan (Ahmed,

Neel, dan Wang, 2012); kualitas informasi akuntansi turun setelah adopsi IFRS di Swedia (Paananen, 2008); kualitas informasi akuntansi turun setelah adopsi IFRS di Jerman (Paananen dan Lin, 2008); efek adopsi sukarela IFRS hanya terjadi pada perusahaan yang memiliki insentif untuk mengadopsi (Christensen, Lee, dan Walker, 2008), dan laba tidak lebih relevan dibanding standar akuntansi lokal (Jarva dan Lantto 2010).

Penelitian lain menunjukkan bahwa kualitas informasi akuntansi membaik setelah adopsi IFRS sukarela (Barth, Landsman, dan Lang, 2008); kualitas informasi akuntansi lebih tinggi dengan menggunakan IFRS dibandingkan menggunakan standar akuntansi Jerman (Hung dan Subramanyam, 2007); dan konten informasi naik di semua negara pengadopsi IFRS (Landsman, Maydew, dan Thornock, 2011). Hasil penelitian yang tidak konsisten dan masih terbatasnya penelitian sejenis di Indonesia memberi celah untuk dilakukannya penelitian lebih lanjut di Indonesia.

Penelitian ini dilakukan untuk menjawab pertanyaan penelitian, yaitu apakah adopsi IFRS berpengaruh positif terhadap kualitas informasi akuntansi. Dengan menggunakan sampel perusahaan yang terdaftar di Bursa Efek Indonesia (BEI) dan telah mengadopsi IFRS secara bertahap, diperoleh hasil bahwa adopsi IFRS berpengaruh positif terhadap kualitas informasi akuntansi baik dari sisi relevansi maupun dari sisi *faithful representation*.

MATERI DAN METODE PENELITIAN

Pengertian kualitas informasi akuntansi dalam penelitian ini adalah kualitas laba. Ada beberapa konsep kualitas laba antara lain persistensi, *predictability*, *variability*, *ratio of cash from operation to income*, *changes in total accrual*, *discretionary accrual*, *relevance*, dan *reliability*. Berdasarkan beberapa konsep kualitas laba tersebut, peneliti memilih dua ukuran yaitu relevan dan *reliable* dengan pertimbangan bahwa kedua kualitas tersebut digunakan dan dieksplorasi dalam kerangka konseptual dan digunakan sebagai dasar untuk penyusunan standar akuntansi keuangan. Menurut IASB (2008), determinan utama kualitas informasi akuntansi adalah relevan dan reliabel atau *faithful representation*. Informasi akuntansi disebut relevan jika memiliki nilai prediktif dan nilai konfirmatori.

Informasi keuangan memiliki nilai prediktif jika informasi tersebut memiliki nilai sebagai input bagi pemrosesan prediktif yang dilakukan oleh *capital providers* untuk membentuk ekspektasi tentang masa mendatang (IASB, 2008). *Confirmatory value* adalah kemampuan informasi untuk memberikan umpan balik evaluasi terdahulu. Artikel ini hanya membahas nilai prediktif saja untuk mengukur kualitas relevan. Selain relevan, informasi yang berkualitas juga harus reliabel. Menurut IASB (2008), informasi keuangan juga harus secara jujur merepresentasikan fenomena yang ingin disajikannya dan harus memiliki tiga karakteristik, yaitu lengkap, netral, dan bebas dari kesalahan.

Sebagian besar argumen yang mendukung adopsi IFRS memfokuskan pada pengaruhnya terhadap pasar modal dan investor (Hail, Leuz dan Wysocki, 2009). Barth *et al.* (2008); Covrig, DeFond, dan Hung (2007); Kim dan Shi (2007) mengklaim bahwa adopsi IFRS mengakibatkan pengungkapan informasi yang lebih besar dan lebih berkualitas. Jika dibandingkan dengan standar akuntansi lokal, IFRS dianggap lebih berorientasi pada nilai wajar, mengurangi fleksibilitas akuntansi yang diperkenankan bagi penyusunan laporan keuangan, dan memasukkan pengaruh peristiwa ekonomi terhadap kinerja perusahaan ke dalam laporan keuangan secara tepat waktu (Alexander dan Archer, 2001). Penelitian yang dilakukan Bartov, Goldberg, dan Kim (2005), menemukan bukti bahwa laba berbasis standar akuntansi Amerika dan IFRS memiliki nilai relevan yang lebih tinggi dibandingkan laba berbasis standar akuntansi Jerman.

Ashbaugh dan Pincus (2001); Glaum, Baetge, Grothe, dan Oberdoerster (2010); dan Beuselinck, Joos, Khurana, dan Meulen (2009) menemukan bukti bahwa implementasi IFRS meningkatkan kemampuan prediksi secara signifikan. Landsman *et al.* (2011) menemukan bahwa adopsi IFRS menaikkan relevansi informasi, menurunkan *reporting lag*, dan menaikkan kualitas peramalan analisis. Penelitian yang dilakukan oleh Gjerde, Knivsflå, dan Sættem (2008) memperoleh bukti adanya kenaikan *value relevance* setelah adopsi IFRS, sedangkan Beijerink (2008); Ismail, Dunstan, dan Zijl (2010) menemukan bukti bahwa dengan menggunakan IFRS, *value relevance* informasi yang dihasilkan lebih tinggi dibanding informasi yang dihasilkan dengan menggunakan US-GAAP.

Aubert dan Grudnitski (2008) menemukan

perusahaan di Portugal dan Spanyol memiliki informasi *earnings per share* yang lebih *value relevant* dengan menggunakan IFRS, sedangkan Capkun, Jeny, Jeanjean, dan Weiss (2011) menemukan informasi yang dihasilkan oleh perusahaan lebih *value-relevant* dengan menggunakan IFRS. Florou dan Kosi (2009); dan Lantto (2007) juga menemukan bahwa pasca adopsi IFRS, informasi yang dihasilkan lebih relevan bagi investor obligasi. Berdasarkan uraian tentang penelitian tersebut dapat dirumuskan hipotesis sebagai berikut:

H1: adopsi IFRS berpengaruh positif terhadap relevansi informasi akuntansi

Beberapa riset akuntansi terdahulu memberikan bukti bahwa perusahaan memanipulasi ukuran akuntansi untuk melaporkan laba dengan maksud tertentu sehingga memenuhi atau melebihi *benchmark* laba yang telah ditentukan yaitu laba positif, laba tahun sebelumnya, dan ekspektasi laba para analis. Adopsi IFRS diharapkan mengurangi upaya menurunkan netralitas dan mengurangi diskresi nilai yang dilaporkan. Konsisten dengan argumen tersebut, Ewert dan Wagenhofer (2005) menunjukkan bahwa pengetatan standar akuntansi mengurangi level manajemen laba dan menaikkan kualitas akuntansi, sedangkan Capkun *et al.* (2011) menemukan bukti bahwa manajemen laba mengalami penurunan pasca adopsi IFRS. Ashbaugh dan Pincus (2001) menyatakan bahwa pembatasan alternatif pada IFRS dapat menaikkan kualitas akuntansi karena sangat membatasi peluang diskresi manajemen, sedangkan Chen *et al.* (2010) menemukan bukti bahwa adopsi IFRS menurunkan manajemen laba, menurunkan angka *absolute discretionary accruals*, dan menaikkan kualitas akrual. Penelitian lain mendokumentasikan adanya perbaikan dalam kualitas akuntansi setelah mengadopsi IFRS secara sukarela (Christensen *et al.*, 2008; Barth *et al.*, 2008; Gassen dan Sellhorn, 2006; Hung dan Subramanyam, 2007). Christensen *et al.* (2008) menemukan bahwa adopsi IFRS secara sukarela menurunkan *earnings management* dan meningkatkan ketepatanwaktuan pengakuan rugi. Berdasarkan uraian tersebut dapat dirumuskan hipotesis sebagai berikut:

H2: adopsi IFRS berpengaruh positif terhadap reliabilitas informasi akuntansi

Populasi yang digunakan dalam penelitian ini adalah perusahaan yang tercatat di BEI yang mengadopsi standar akuntansi IFRS (PSAK-IFRS)

secara bertahap sejak tahun 2008. Sampel dipilih dengan metode *purposive sampling*, yaitu perusahaan publik yang tercatat di BEI dari tahun 2005 sampai dengan tahun 2010 (3 tahun sebelum dan 3 tahun setelah adopsi PSAK-IFRS secara bertahap) secara utuh, menerapkan IFRS secara bertahap, dan memiliki data lengkap. Secara keseluruhan, jumlah sampel yang dipilih berjumlah 90 perusahaan, sehingga total observasi mencakup 540 tahun perusahaan.

Mengacu literatur terdahulu (Barua, 2006; Francis, LaFond, Olsson, dan Schipper, 2004), penelitian ini mengukur *predictive value* berdasarkan kemampuan laba sekarang untuk memprediksi laba mendatang. Untuk mengukur kemampuan prediksi laba, peneliti menggunakan model yang dikembangkan oleh Barua (2006) sebagai berikut:

$$ROA_{t+1} = \lambda_0 + \lambda_1 ROA_t + e_t$$

Ukuran kualitas relevansi adalah nilai prediktif berupa koefisien ROA_t (λ_1). Untuk menguji apakah kualitas *predictive value* mengalami peningkatan setelah adopsi IFRS, peneliti melakukan analisis regresi menggunakan data panel yang mencakup 3 tahun sebelum dan setelah adopsi bertahap IFRS. Variabel dependennya adalah ROA_{t+1} , sedangkan variabel independen adalah ROA_t dan IFRS. Menurut Li (2009) faktor lain yang dapat mempengaruhi kualitas laba adalah ukuran perusahaan, pertumbuhan kemampuan, dan rasio liabilitas dan aset, sehingga perlu dimasukkan dalam model sebagai variabel kontrol. Untuk menguji hipotesis, peneliti menguji *sign* dan signifikansi koefisien interaksi $ROA_t * IFRS$ dalam model regresi berikut:

$$ROA_{t+1} = \beta_0 + \beta_1 ROA_t + \beta_2 IFRS + \beta_3 ROA_t * IFRS + \beta_4 Size + \beta_5 MTB + \beta_6 Lev + \varepsilon \quad (1)$$

Keterangan:

ROA_t = *Return on Asset* tahun t,

IFRS = variabel dummy, bernilai 0 untuk periode sebelum adopsi IFRS dan bernilai 1 untuk periode setelah adopsi IFRS,

Size = variabel kontrol yaitu ukuran perusahaan

MTB = variabel kontrol yaitu rasio antara nilai pasar dan nilai buku ekuitas,

Lev = variabel kontrol yaitu *leverage* atau rasio

antara jumlah liabilitas dan jumlah aset perusahaan, dan
 ε = error term.

Konsisten dengan penelitian terdahulu, peneliti melakukan estimasi *abnormal accruals* dengan menggunakan *Modified-Jones Model* yang dikembangkan oleh Dechow, Sloan, dan Sweeney (2005) seperti yang ditunjukkan pada persamaan berikut:

$$TAit = \beta_1(1/Ait-1) + \beta_2(\Delta REVit - \Delta RECit) + \beta_3 PPEit + \beta_4 \varepsilon it \quad (2)$$

Keterangan:

$TAit$ adalah total akrual perusahaan i tahun t diskala oleh total aset tahun $t-1$

$Ait-1$ adalah total aset untuk tahun $t-1$,

$\Delta REVit$ adalah pendapatan perusahaan i tahun t dikurang pendapatan perusahaan i tahun $t-1$ diskala oleh total aset untuk tahun $t-1$,

$\Delta RECit$ adalah piutang perusahaan i tahun t dikurang piutang perusahaan i tahun $t-1$ diskala oleh total aset untuk tahun $t-1$,

$PPEit$ *Gross property plant and equipment* untuk perusahaan i tahun t diskala oleh total aset untuk tahun $t-1$.

εit adalah *Error term*

Mengacu pada penelitian yang dilakukan oleh Hribar dan Collins (2002), estimasi total akrual dilakukan dengan mengurangkan arus kas operasi tahunan dari laba bersih sebelum elemen luar biasa. Akrual diskresi untuk tahun t adalah nilai residu absolut dari

persamaan (2). Nilai absolut akrual diskresi (*ABSDA*), yang digunakan sebagai proksi kualitas *faithful representation*. Seperti pada pengujian relevansi, dalam persamaan regresi ini juga digunakan variabel kontrol berupa *Lev*, *MTB*, dan *Size*. Peneliti menguji *sign* dan signifikansi koefisien *IFRS* dalam model regresi berikut:

$$ABSDA = \beta_0 + \beta_1 IFRS + \beta_2 Size + \beta_3 MTB + \beta_4 Lev + \varepsilon \quad (3)$$

Keterangan:

ABSDA adalah nilai absolut akrual diskresi yang merupakan proksi kualitas *faithful representation*

HASIL PENELITIAN

Tabel 1 berikut ini menggambarkan statistik deskriptif pada periode sebelum dan setelah adopsi *IFRS*. Pada Tabel 1 dapat dilihat bahwa *mean ABSDA*, mengalami penurunan dari 0,329 menjadi 0,106. Karena *ABSDA* merupakan ukuran balikan kualitas *faithful representation*. Hal ini menunjukkan adanya kenaikan kualitas. *Mean* variabel interaksi $ROA_t * IFRS$ mengalami kenaikan dari 0,037 menjadi 0,046. Hal ini mengindikasikan bahwa *IFRS* berpengaruh positif terhadap nilai prediktif.

Definisi variabel:

ABSDA = nilai absolut akrual diskresi

ROA_t = *Return on Asset* tahun t

Lev = *Leverage* atau rasio antara total liabilitas

Tabel 1
Statistik Deskriptif

Variabel	Sebelum Adopsi IFRS				Setelah Adopsi IFRS			
	Mean	Max.	Min.	Std.Dev	Mean	Max.	Min.	Std.Dev
<i>ABSDA</i>	0,329	1,632	0,012	0,301	0,106	1,161	0,000	0,143
ROA_t	0,068	0,365	-0,430	0,174	0,080	0,546	-0,430	0,151
ROA_{t+1}	0,070	0,607	-0,850	0,247	0,088	0,606	-0,710	0,151
<i>IFRS</i>	0,667	1,000	0,000	0,477	0,515	1,000	0,000	0,501
$ROA_t * IFRS$	0,037	0,270	-0,372	0,124	0,046	0,372	-0,372	0,114
<i>Lev</i>	0,530	1,643	0,150	0,268	0,559	1,643	0,070	0,307
<i>Size</i>	14,327	17,494	11,035	1,642	14,146	18,542	10,098	1,823
<i>MTB</i>	1,598	10,576	-0,060	2,176	1,641	10,576	-8,657	2,086

Sumber: Data penelitian, diolah.

Size = Logaritma natural nilai aset
MTB = Rasio antara nilai buku dan nilai pasar ekuitas

Sebelum dilakukan pengolahan data, peneliti melakukan pemeriksaan awal terhadap data untuk mengidentifikasi ada tidaknya *outlier*. Selanjutnya, dilakukan pengujian asumsi klasik. Hasil pengujian menunjukkan bahwa tidak ada pelanggaran yang cukup berarti pada normalitas, otokorelasi, multikolinieritas, dan heteroskedastisitas.

PEMBAHASAN

Untuk menguji apakah adopsi IFRS berpengaruh positif terhadap kualitas *predictive value* (H1), peneliti melakukan analisis regresi multivariat dengan menggunakan *generalized least square* (GLS). Hasil analisis disajikan di tabel 2.

Tabel 2
Analisis Regresi – Relevansi

$$ROA_{t+1} = \beta_0 + \beta_1 ROA_t + \beta_2 IFRS + \beta_3 ROA * IFRS + \beta_4 Lev + \beta_5 Size + \beta_6 MTB + \epsilon$$

Variabel	Coefficient	t-Statistic	P-value
Intercept	0,032	2,420	0,015
ROA _t	0,479	7,996	0,000
IFRS	0,011	2,463	0,014
ROA*IFRS	0,450	5,736	0,000
Lev	0,023	2,768	0,005
Size	-0,002	-1,731	0,083
MTB	-0,001	-0,837	0,403
Adj. R ²	0,729		
F-statistic	243,804		0,000

Sumber: Data penelitian, diolah.

Definisi variabel:

ROA_{t+1} = Return on Asset tahun t+1

ROA_t = Return on Asset tahun t

IFRS = variabel dummy, bernilai 0 untuk periode sebelum adopsi IFRS dan bernilai 1 untuk periode setelah adopsi IFRS

Lev = Leverage atau rasio antara total liabilitas dan total aset

Size = Logaritma natural nilai aset

MTB = Rasio antara nilai buku dan nilai pasar ekuitas

Pada Tabel 2, dapat dilihat bahwa koefisien *ROA_t*IFRS* bernilai positif signifikan (*p*=0,000). Secara statistis, hal ini menunjukkan bahwa variabel interaksi *ROA_t* dan IFRS berpengaruh positif signifikan terhadap variabel *ROA_{t+1}*. Oleh karena itu, dapat disimpulkan bahwa adopsi IFRS berpengaruh secara positif terhadap kualitas *predictive value*. Dengan demikian, H1 didukung oleh data observasi. Hasil penelitian ini konsisten dan mengkonfirmasi penelitian yang dilakukan oleh Bartov, Goldberg, dan Kim (2005), yang menemukan bukti bahwa laba berbasis IFRS memiliki nilai relevan yang lebih tinggi, Barth *et al.* 2008; Covrig *et al.* 2007; Kim dan Shi 2007 yang mengklaim bahwa adopsi IFRS mengakibatkan pengungkapan informasi yang lebih besar dan lebih berkualitas, dan Ashbaugh dan Pincus (2001) yang memperoleh bukti yang menegaskan adanya perbaikan dalam akurasi ramalan analisis setelah adopsi IFRS.

Peneliti menguji apakah adopsi IFRS memiliki pengaruh terhadap *faithful representation* informasi akuntansi (H2) yang diukur dengan menggunakan nilai absolut akrual diskresi. Peneliti menguji apakah adopsi IFRS berpengaruh secara positif terhadap *faithful representation* informasi akuntansi. Tabel 3 berikut ini menunjukkan hasil pengujian H2. Hasil pada Tabel 3 menunjukkan bahwa IFRS memiliki koefisien negatif yaitu -0,145 dan signifikan (*p* = 0,000). Karena *faithful representation* diukur menggunakan ukuran balikan ABSDA, maka koefisien negatif ini secara statistis mengindikasikan bahwa variabel IFRS berpengaruh positif signifikan terhadap variabel dependen (ABSDA). Oleh karena itu, dapat disimpulkan bahwa adopsi IFRS berpengaruh positif terhadap kualitas *faithful representation*. Dengan demikian, H₂ didukung oleh data observasi. Hasil ini mengkonfirmasi penelitian yang dilakukan oleh Ewert dan Wagenhofer (2005) yang menunjukkan bahwa pengetatan standar akuntansi mengurangi level manajemen laba dan memperbaiki kualitas pelaporan; Leuz dan Verrecchia (2000) yang menemukan bukti bahwa proksi untuk asimetri informasi komponen biaya modal lebih rendah pada perusahaan yang beralih dari standar akuntansi lokal ke IFRS. Penelitian lain yang juga konsisten dengan hasil penelitian ini adalah penelitian yang dilakukan oleh Christensen *et al.*, 2008; Barth *et al.*,

2008, Gassen dan Sellhorn, 2006, serta Hung dan Subramanyam, 2007 yang memperoleh bukti adanya perbaikan dalam kualitas informasi akuntansi yaitu menurunkan *earnings management* dan meningkatkan ketepatan waktu pengakuan kerugian.

Tabel 3
Analisis Regresi – Faithful Representation

$$ABSDA = \beta_0 + \beta_1 IFRS + \beta_2 Lev + \beta_3 Size + \beta_4 MTB + \varepsilon$$

Variabel	Coefficient	t-Statistic	P-value
Intercept	0,151	9,410	0,000
IFRS	-0,145	-40,222	0,000
Lev	0,042	3,963	0,000
Size	0,003	2,743	0,006
MTB	0,002	3,522	0,000
Adj, R ²	0,486		
F-statistic	128,094		0,000

Sumber: Data penelitian, diolah.

Definisi variabel:

ABSDA = nilai absolut akrual diskresi (proksi kualitas *faithful representation*) yang diestimasi dengan menggunakan Jones Model

IFRS = variabel dummy, bernilai 0 untuk periode sebelum adopsi IFRS dan bernilai 1 untuk periode setelah adopsi IFRS

SIZE = logaritma total aset

MTB = nilai pasar ekuitas dibagi nilai buku ekuitas

LEV = total liabilitas dibagi total aset.

SIMPULAN DAN SARAN

Simpulan

Temuan penelitian ini memiliki implikasi bagi penelitian yang akan datang baik implikasi praktis, implikasi teoritis maupun implikasi metodologis. Implikasi praktis penelitian ini adalah hasil penelitian mengkonfirmasi klaim bahwa adopsi standar akuntansi IFRS akan meningkatkan kualitas informasi akuntansi. Kekhawatiran awal bahwa adopsi standar akuntansi IFRS yang berbasis prinsip dan mengandung beberapa

prinsip yang bersifat abu-abu justru akan menurunkan kualitas informasi akuntansi tidak terbukti. Kekhawatiran ini muncul karena kondisi sosial domestik Indonesia yang *enforcement* terhadap aturan hukumnya termasuk rendah. Hasil penelitian membuktikan sebaliknya. Berdasarkan sisi teoritis, penelitian ini menemukan bahwa adopsi IFRS berpengaruh secara positif terhadap relevansi informasi dan reliabilitas informasi. Implikasinya adalah bahwa antara reliabilitas dan relevansi informasi berjalan ke arah yang sama, paling tidak untuk kasus penelitian ini. Penelitian ini juga memiliki implikasi metodologis, terutama dari sisi penggunaan relevan dan *reliable* untuk memproksi kualitas informasi akuntansi. Penggunaan kedua ukuran kualitas ini jarang digunakan dalam berbagai penelitian. Selain itu, pengukuran kedua variabel yaitu relevan dan *reliable* seluruhnya menggunakan data akuntansi. Dengan demikian, penelitian ini melengkapi berbagai ukuran variabel kualitas informasi yang selama ini telah banyak digunakan.

Saran

Hasil penelitian menunjukkan bahwa adopsi IFRS berpengaruh secara positif terhadap relevansi informasi akuntansi yang diukur dengan kemampuan memprediksi dan terhadap *faithful representation*. Penelitian ini memiliki beberapa keterbatasan. Pertama, penelitian ini dilakukan ketika perusahaan masih menerapkan IFRS secara bertahap, artinya belum semua standar akuntansi IFRS diadopsi dan perusahaan juga sedang dalam taraf transisi penggunaan standar akuntansi baru, sehingga kemungkinan pengaruhnya terhadap kualitas informasi belum bisa secara akurat diinvestigasi. Kedua, penelitian ini tidak memperhitungkan faktor-faktor lain yang dapat mempengaruhi kualitas informasi akuntansi, terutama faktor institusional, kepastian hukum, perlindungan terhadap investor dan lain-lain. Ketiga penelitian ini tidak menggunakan data pasar misalnya harga saham, namun hanya menggunakan data akuntansi internal perusahaan. Hal ini menyebabkan relevansi informasi yang dibutuhkan oleh para investor dalam membuat keputusan tidak diketahui apakah tercermin pada harga pasar saham atau tidak. Keempat, penelitian ini memfokuskan pada pengaruh umum adopsi standar akuntansi IFRS terhadap kualitas informasi, sehingga

tidak dapat diketahui bagaimana pengaruh spesifik setiap standar akuntansi yang diadopsi terhadap kualitas informasi.

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PENGARUH *EARNINGS MANAGEMENT* DALAM MEMEDIASI HUBUNGAN ANTARA *GOOD CORPORATE GOVERNANCE* DAN KINERJA PERUSAHAAN PADA PESERTA CGPI TAHUN 2004 -2008

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ABSTRACT

The purpose of this research was to prove and analyze the influence of earnings management in mediation connection between good corporate governance and company performance. This research used data census. Population of this research from public company listed as participants of Corporate Governance Perception Index (CGPI) in the period of 2004-2008. This research used a path analysis test. The result showed that earnings management not influenced mediation relationship good corporate governance on company performance.

Keywords: good corporate governance, earnings management, company performance

JEL classification: M10, G32, G34

PENDAHULUAN

Teori keagenan merupakan teori yang melandasi hubungan antara manajer dan pemilik. Manajer sebagai agen dan pemilik (dalam hal ini adalah pemegang saham) sebagai prinsipal. Agen dan prinsipal ingin

memaksimalkan *utility* masing-masing dengan informasi yang dimiliki. Laporan keuangan merupakan sarana pengkomunikasian informasi keuangan kepada pihak-pihak di luar korporasi. Dalam penyusunan laporan keuangan, dasar akrual dipilih karena lebih rasional dan adil dalam mencerminkan kondisi keuangan perusahaan secara riil. Selain itu, penggunaan dasar akrual dapat memberikan keleluasaan kepada pihak manajemen dalam memilih metode akuntansi selama tidak menyimpang dari aturan Standar Akuntansi Keuangan yang berlaku. Kualitas laporan keuangan mencerminkan tingkat manajemen laba. Adanya pemisahan antara fungsi kepemilikan dan fungsi pengendalian dalam hubungan keagenan sering menimbulkan masalah-masalah keagenan.

Salah satu cara menangani masalah agensi melalui *good corporate governance* (GCG). *Good corporate governance* berpegang pada penerapan prinsip-prinsip transparansi, akuntabilitas, tanggung jawab, mandiri dan kewajaran. *Corporate governance* dapat memberikan keyakinan pada investor tentang *return* yang diperoleh atas investasi ditanamkan. Di Indonesia, laporan hasil riset dan pemeringkatan *corporate governance* dilakukan oleh *The Indonesian Institute for Corporate Governance* (IICG) secara kontinyu setiap tahun sejak tahun 2001. Hasil riset dan pemeringkatan ini dipublikasikan IICG secara nasional

dan internasional.

Laba menjadi pertimbangan investor dalam mengukur kinerja manajemen untuk mengambil keputusan investasinya tanpa mempertimbangkan prosedur yang digunakan. Pilihan kebijakan yang secara sengaja dipilih oleh manajemen untuk tujuan tertentu dikenal dengan *earnings management*. *Earnings management* dapat dilakukan karena Pernyataan Standar Akuntansi memberikan berbagai pilihan kebijakan dan prosedur akuntansi pada manajemen perusahaan serta membutuhkan tindakan dari manajer dalam mempersiapkan keuangan, sehingga tercipta fleksibilitas yang dapat dimanfaatkan manajer untuk kepentingannya.

Earnings management yang dilakukan perusahaan dapat bersifat efisien (meningkatkan keinformatifan laba dalam mengkomunikasikan informasi privat) dan dapat bersifat oportunistik yaitu manajemen melaporkan laba yang dapat dianggap sebagai pemanipulasian informasi dan lebih merefleksikan keinginan manajemen daripada performa keuangan perusahaan. Apabila pengelolaan oportunistik, maka informasi laba rekayasa dapat menyebabkan pengambilan keputusan investasi yang salah.

Earnings management merupakan salah satu bentuk rekayasa laba yang dilakukan manajemen dalam beberapa periode dengan tujuan menampilkan gambaran arus laba yang stabil. Perataan penghasilan merupakan upaya manajer untuk menekan variabilitas laba perusahaan pada sejumlah periode tertentu dengan tujuan memperoleh tingkat laba sesuai dengan yang diharapkan. *Earnings management* adalah cara untuk menekan volatilitas laba dengan menurunkan jumlah yang dilaporkan pada saat mengalami laba dan menaikkan angka laba laporan ketika kurang memenuhi ekspektasi.

Tujuan melakukan penelitian ini adalah 1) isu mengenai penilaian pelaksanaan GCG yang dipakai acuan penilaian IICG belum pernah diteliti secara empiris sebelumnya. Penilaian pelaksanaan GCG dilakukan IICG melalui 4 penilaian yaitu *selfassessment*, kelengkapan dokumen, makalah dan presentasi, dan observasi perusahaan; 2) konsep *corporate governance* tidak hanya melekat pada sistem dan penataan struktur melainkan menjadi bagian strategis dan memberikan arahan masa depan serta perilaku dan sikap perusahaan terhadap tantangan dan perubahan yang

dihadapi dengan tetap memegang prinsip bisnis yang beretika, profesional, dan bertanggungjawab. Hal ini berkaitan dengan tindakan *earnings management* untuk meningkatkan kinerja perusahaan; dan 3) hasil penelitian ini mempunyai implikasi penting bagi perseroan terbuka dalam menciptakan keunggulan dan kinerja perusahaan yang berkesinambungan dalam rangka meningkatkan kesejahteraan *stakeholders* dan pemegang saham.

MATERI DAN METODE PENELITIAN

Hubungan keagenan merupakan kontrak dimana satu atau lebih sebagai prinsipal menyewa orang lain sebagai agen untuk melakukan beberapa jasa untuk kepentingannya dengan mendelegasikan beberapa wewenang pembuatan keputusan kepada agen. Jika kedua pihak berusaha untuk memperoleh kepuasan yang maksimal maka terdapat alasan tepat untuk dipercaya bahwa agen tidak selalu bertindak untuk kepentingan prinsipal. Pengertian prinsipal tidak hanya pemilik perusahaan tetapi juga kreditor dan pemerintah. Dalam pelaksanaan pekerjaan tersebut pemilik prinsipal perlu mendelegasikan beberapa wewenang pengambilan keputusan kepada agen. Masalah agensi muncul ketika manajer mempunyai kewajiban untuk memaksimalkan kesejahteraan para pemegang saham, namun di sisi lain manajer juga mempunyai kepentingan untuk memaksimalkan kesejahteraannya, sehingga dalam agen tidak dalam kepentingan untuk memaksimalkan kesejahteraan pemilik, tetapi mempunyai kecenderungan untuk mengejar kepentingan sendiri dengan mengorbankan kepentingan pemilik. Hal ini biasanya dilakukan agen dengan memberikan informasi tentang hasil kerjanya yang tidak sesuai dengan keadaan sebenarnya melalui penggunaan angka-angka akuntansi yang dinyatakan dalam laporan keuangan sebagai dasarnya.

Kaitan teori agensi dengan penelitian ini adalah penerapan GCG dapat mengurangi biaya agensi yang dikeluarkan perusahaan. Peningkatan GCG dapat mengurangi tindakan *earnings management*. *Earnings management* adalah tindakan yang dilakukan manajer yang diakibatkan adanya masalah agensi antara prinsipal dan agen. Tindakan ini tidak terlepas dari kecenderungan manajer untuk mencari keuntungan sendiri (*moral hazard*) dengan mengorbankan

kepentingan pihak lain. Hal ini karena manajer memperoleh kompensasi dari pekerjaannya dengan jumlah yang kecil, sehingga perubahan kemakmuran manajer sangat kecil dibandingkan perubahan kemakmuran pemilik/pemegang saham.

Corporate governance merupakan serangkaian mekanisme yang dapat melindungi pihak-pihak minoritas (*outsider investor/minoritas shareholders*) dari ekspropriasi yang dilakukan oleh manajer dan pemegang saham pengendali (*insider*) dengan penekanan pada mekanisme legal. Pendekatan legal dari *corporate governance* memiliki arti bahwa mekanisme kunci *corporate governance* adalah proteksi investor eksternal (*outsider investor*), baik pemegang saham maupun kreditor melalui sistem legal yang dapat diartikan dengan hukum dan pelaksanaannya.

Sasaran *corporate governance* untuk menciptakan nilai tambah karena penting untuk pihak pemilik. Dengan pemisahan peran antara pemegang saham (prinsipal) dan para manajer (agen), para manajer mempunyai suatu kendali penting dalam mengelola dana investor. Beberapa penelitian telah menunjukkan bahwa penerapan *corporate governance* bervariasi antarsatu negara dengan negara lain. Penelitian-penelitian tersebut pada dasarnya menunjukkan adanya perbedaan sistem hukum yang melindungi investor antarnegara. Perbedaan dalam sistem hukum tersebut akan berpengaruh pada struktur dalam sistem kepemilikan, perkembangan pasar modal dan perekonomian suatu negara.

Salah satu faktor yang mempengaruhi reaksi investor terhadap informasi laba adalah kredibilitas sumber informasi. Semakin kredibel suatu sumber informasi, semakin besar implikasi terhadap informasi tersebut. Hal ini menunjukkan bahwa *earnings management* akan direspon oleh investor dengan berbagai sikap. Untuk investor yang memfokuskan hanya terhadap informasi laba maka ada kemungkinan laba yang disajikan akan mendorong minat investor untuk mengambil keputusan berinvestasi, tetapi apabila investor yang *sophisticated*, maka adanya *earnings management* tidak akan mendapat respon positif. Beberapa penelitian telah membuktikan bahwa manajer cenderung melakukan *earnings management* dengan berbagai pola dan laba yang disajikan oleh manajemen ada kemungkinan dihasilkan dengan melakukan *earnings*

management.

Kinerja keuangan sebagai hasil upaya manajemen menunjukkan suatu keberhasilan. Keberhasilan ini dapat dicapai dengan sistem pengelolaan yang optimal dari semua bagian yang ada di perusahaan dalam mencapai tujuan. Pengukuran kinerja dapat dilakukan baik dari aspek finansial maupun non finansial. Penelitian ini lebih memfokuskan pada kinerja dari aspek keuangan dengan pertimbangan bahwa aspek finansial merupakan salah satu indikator kinerja suatu perusahaan. Kinerja perusahaan merupakan hasil kegiatan manajemen. Parameter yang sering digunakan untuk melakukan penilaian terhadap kinerja suatu perusahaan adalah menggunakan pendekatan keuangan dimana informasinya diambil dari laporan keuangan atau sumber laporan keuangan lainnya. Pengukuran ini didasarkan pada data yang telah dipersiapkan untuk pihak luar, yaitu laporan keuangan yang telah diaudit. Para analis umumnya manajer keuangan perusahaan dan para pelaku pasar modal menggunakan ukuran keuangan untuk melihat dan menilai aspek-aspek mereka inginkan seperti profitabilitas, solvensi, likuiditas, produktivitas atau kekuatan pasar. Pengukuran kinerja keuangan telah dilakukan oleh Rhoades *et al.* (2002).

Pengaruh *good corporate governance* terhadap *earnings management* ditunjukkan pada penelitian Kanagaretnam *et al.* (2007) yang menyatakan bahwa *good corporate governance* memperkecil *information asymmetry* saat mendekati triwulan pengumuman *earnings*. Tingkat kualitas *corporate governance* semakin meningkat dengan tindakan memperkecil *information asymmetry*. Hal ini sangat menguntungkan bagi investor untuk mengetahui informasi perusahaan. Menurut Liu dan Zhou (2007) ada perbedaan sistematis dalam *earnings management* pada perusahaan Cina yang *listing* pada tahun 1999-2005. Perusahaan dengan tingkat *corporate governance* yang tinggi akan menyebabkan tingkat *earnings management* rendah. Penelitian di Cina mempunyai keadaan yang spesifik, perusahaan yang *listing* mempunyai insentif yang kuat dalam mengendalikan *earnings* dengan menerapkan *return on equity* (ROE) yang dapat dipercaya dan *earnings management* secara nyata. Cornett *et al.* (2009) meneliti interaksi kinerja perusahaan, mekanisme *corporate governance* dan *earnings management*. Dalam penelitiannya dinyatakan bahwa *corporate governance*

memainkan peranan dalam *earnings* dan *earnings management*. Berdasarkan uraian yang telah dijelaskan, maka dapat dirumuskan hipotesis sebagai berikut:

H₁: *Good corporate governance* (GCG) berpengaruh negatif signifikan terhadap *earnings management*.

Penelitian yang dilakukan oleh Berghe dan Rider dalam Kakabadse *et al.* (2001) menyatakan bahwa hubungan kinerja perusahaan dengan *corporate governance* tidak mudah dilakukan. Hal ini disebabkan respon pasar terhadap implementasi *corporate governance* tidak dapat secara langsung merespon tetapi membutuhkan waktu atau ada kemungkinan masih rendahnya tingkat kepercayaan investor terhadap keefektifan pelaksanaan *corporate governance* di Indonesia.

Menurut Cornett *et al.* (2009), kinerja perusahaan dan mekanisme *corporate governance* merupakan upaya yang berkaitan (mendukung). Brown dan Caylor (2006) mengemukakan bahwa penilaian *governance* berpengaruh signifikan dan berhubungan positif dengan kinerja perusahaan (*Tobin's Q*). Hal senada dijelaskan oleh Black *et al.* (2005) yang memberikan bukti bahwa *corporate governance* merupakan faktor penting dalam menjalankan kinerja perusahaan. Pada penelitian ini akan diuji secara langsung pengaruh variabel GCG terhadap kinerja perusahaan dan diuji secara tidak langsung pengaruh variabel GCG terhadap kinerja perusahaan melalui *earnings management* sebagai variabel mediasi. Berdasarkan uraian yang telah dijelaskan, maka dapat dirumuskan hipotesis sebagai berikut:

H₂: *Good corporate Governance* berpengaruh positif signifikan terhadap kinerja perusahaan

H₃: *Earnings management* berpengaruh positif signifikan dalam memediasi hubungan antara *good corporate governance* (GCG) dan kinerja perusahaan

Manajemen melakukan *earnings management* karena bertujuan mempengaruhi persepsi investor tentang kinerja perusahaan. Laba menjadi parameter yang digunakan untuk mengukur kinerja manajemen dan dasar bagi investor untuk mengambil keputusan tanpa memperhitungkan prosedur yang dilakukan. Laba mempunyai kekuatan untuk menjelaskan perilaku keputusan investor untuk menjual, membeli, atau menahan sekuritas ketika diperoleh informasi tentang

laba dengan tetap memperhatikan tingkat kepercayaan investor terhadap relevansi, realita, dan kredibilitas sumber informasi. Berkenaan dengan laba rugi, laporan laba-rugi sangat penting bagi para pemakainya karena mempunyai nilai prediktif. Informasi laba digunakan untuk membantu dalam mengevaluasi kinerja manajemen, mengestimasi *earnings power*, atau lainnya yang dinilai sebagai representasi kemampuan laba perusahaan dalam jangka panjang, memprediksi laba masa datang, atau menilai risiko berinvestasi.

Earnings management dilakukan untuk menghasilkan laba yang dinikmati oleh investor sehingga apabila kinerja perusahaan tidak menunjukkan hasil yang sesuai dengan kepentingannya, maka manajemen akan termotivasi untuk melakukan *earnings management*, sehingga *earnings management* akan berpengaruh terhadap kinerja perusahaan. Hal ini berbeda dengan pendapat Herawati (2007) serta Klapper dan Love (2002) yang menyatakan bahwa *earnings management* berpengaruh tidak signifikan terhadap kinerja perusahaan.

Pandangan lain menganggap bahwa *earnings management* adalah upaya manajemen untuk memuaskan pemegang saham dengan menurunkan risiko perusahaan. Perusahaan yang memiliki arus laba yang stabil dianggap memiliki volatilitas arus laba yang rendah. Bagi investor dan kreditor, perusahaan dengan volatilitas yang rendah memiliki risiko kebangkrutan yang rendah pula, karena menyediakan jaminan laba di masa depan yang lebih pasti. Berdasarkan uraian yang telah dijelaskan, maka dapat dirumuskan hipotesis sebagai berikut:

H₄: *Earnings management* berpengaruh negatif signifikan terhadap kinerja perusahaan.

MATERI DAN METODE PENELITIAN

Penelitian ini dilakukan di Bursa Efek Indonesia (BEI) dan *The Indonesian Institute for Corporate Governance* (IICG) dengan pengambilan data empiris periode lima tahun (2004-2008). Penelitian ini juga mempertimbangkan bahwa pada periode tahun pengamatan IICG melakukan hasil perankingan yang terakhir tahun 2008, sehingga penelitian ini mengambil data 5 tahun terakhir (2004-2008). *Good corporate governance* sebagai variabel eksogen (X1) merupakan sistem yang digunakan untuk mengarahkan dan

mengendalikan kegiatan bisnis perusahaan. *Corporate governance* mengatur pembagian tugas, hak, dan kewajibannya yang berkepentingan terhadap kehidupan perusahaan, termasuk para pemegang saham, dewan pengurus, para manajer, *shareholders*, dan non pemegang saham. Dalam penelitian ini *good corporate governance* diukur dengan *index GCG system* yang dikeluarkan oleh IICG tahun 2004-2008 untuk perusahaan terbuka. Penilaian *index GCG system* mencakup 1) *self assessment* dengan nilai 15%, 2) kelengkapan dokumen dengan nilai 25%, 3) makalah dan presentasi dengan nilai 12% , dan 4) observasi perusahaan dengan nilai 48%.

Earnings management sebagai variabel endogen dan variabel *intervening* (Y1) merupakan suatu proses yang dilakukan dengan sengaja dalam batasan *General Accepted Accounting Principles* (GAAP) untuk mengarah pada tingkatan laba yang dilaporkan. Pada penelitian ini untuk menghitung *earnings management* menggunakan data *cross-section* dan *time series* pada perusahaan *go public* tahun 2004-2008 yang ikut perangkaan CGPI. *Earnings management* diukur dengan *Discretionary Accruals* (DA). *Earnings management* dihitung dengan menggunakan formulasi menghitung *total accruals*, yaitu:

$$ACR = \frac{("CA - "CL - "Cash + "STD - Dept}{A} \quad (1)$$

$$NDA = \frac{TA}{T} \quad (2)$$

$$DA = TA - NDA \quad (3)$$

Keterangan:

- ACR = *Total working capital accruals*
- CA = *Change in current assets*
- "CL = *Change in current liabilities*
- "Cash = *Change in cash and cash equivalent*
- "STD = *Change in debt included in current liabilities*
- Dep = *Depreciation and amortization expense*
- A = *Total assets*
- NDA = *Non discretionary accruals*
- TA = *Total accruals*
- T = *Estimation period*
- DA = *Discretionary accruals*
- TA = *Total accruals*
- NDA = *Non discretionary accruals*

Nilai *discretionary accruals* (DA) menunjukkan besaran *earnings management* yang dilakukan oleh manajemen. Semakin besar nilai *discretionary accruals*, semakin besar *earnings management* yang dilakukan manajemen.

Kinerja perusahaan sebagai variabel endogen (Y2) merupakan hasil kerja yang dicapai perusahaan dalam periode tertentu. Pada penelitian ini untuk menghitung kinerja perusahaan menggunakan data *cross-section* dan *time series* perusahaan *go public* tahun 2004-2008. Pengukuran kinerja perusahaan diukur dengan menggunakan *Tobin's Q* sebagai pengukuran kinerja dari sisi eksternal. *Tobin's Q* sering digunakan sebagai proksi dalam menilai kualitas perusahaan atau *corporate opportunity*. Pada penelitian ini kinerja perusahaan dihitung menggunakan data *cross-section* dan *time series* pada perusahaan *go public* tahun 2004-2008 yang ikut perangkaan CGPI. *Tobin's Q* dihitung dengan menggunakan formulasi sebagai berikut:

$$Q = (EMV + D) / (EBV + D)$$

Keterangan:

- Q = Nilai Perusahaan
 - EMV = Nilai pasar ekuitas (*Equity market value*)
 - D = Nilai buku dari total hutang
 - EBV = Nilai buku dari total aktiva (*Equity book value*)
- Equity market value* (EMV) diperoleh dari hasil perkalian harga saham penutupan (*Closing Prices*) akhir tahun dengan jumlah saham yang beredar pada akhir tahun. Nilai *Tobin's Q* antara 0-1 menunjukkan bahwa saham perusahaan tersebut *undervalued*; nilai 1 menunjukkan bahwa *market value* merefleksikan nilai *asset* perusahaan, sedangkan jika *Tobin's Q* > 1 menunjukkan bahwa *market value* lebih besar dari pada nilai perusahaan. Analisis data dalam penelitian ini menggunakan analisis jalur (*path analysis*). Analisis jalur pada penelitian ini dilakukan dengan menggunakan teknik regresi SPSS melalui dua tahap. Pada penelitian untuk menguji pengaruh mediasi digunakan alat Uji Sobel.

HASIL PENELITIAN

Data sekunder diperoleh dari berbagai sumber yaitu BEI, *Indonesian Capital Market Directory* (ICMD),

dan IICG. Informasi penilaian pelaksanaan *Good Corporate Governance* diperoleh dari IICG. Informasi data keuangan untuk mengetahui *earnings management* dan kinerja perusahaan diperoleh dari BEI dan ICMD. Berdasarkan kriteria yang ditentukan dalam pemilihan populasi pada penelitian ini yaitu perseroan terbuka peserta *Corporate Governance Perception Index* (CGPI) tahun 2004 – 2008 dan terdaftar sebagai emiten di BEI, terdapat 69 perusahaan yang memenuhi kriteria. Mengingat jumlah populasinya hanya 69, maka setiap unit analisis dalam populasi ini akan turut dianalisis, sehingga merupakan studi sensus. Analisis statistik deskriptif hasil penelitian ditampilkan dalam sebagai berikut:

Tabel 1
Statistik Deskriptif

Keterangan	GCG	ERM	KJP
Maximum	90,65	0,09	1,88
Minimum	56,38	-0,12	0,4
Mean	78,5714	0,0086	1,1331
Std. Deviasi	7,55566	0,04174	0,32910
Kolmogorov-Smirnov Z	1,359	1,091	1,356
Asymp. Sig. (2-tailed)	0,50	0,185	0,51

Sumber: Hasil penelitian, diolah.

Keterangan:

GCG = *Good Corporate Governance*

ERM = *Earnings Management*

KJP = Kinerja Perusahaan

Hasil pengujian asumsi rekursif menunjukkan bahwa VIF tidak lebih besar dari 10. Oleh karena itu, hasil uji model ini memenuhi asumsi model rekursif. Dapat disimpulkan bahwa model ini tidak ada multikolinieritas antarvariabel independen dalam model regresi.

Uji otokorelasi bertujuan menguji model regresi linear untuk mengetahui ada tidaknya korelasi antara kesalahan pengganggu pada periode t dengan kesalahan pengganggu pada periode t-1 (sebelumnya). Uji otokorelasi pada variabel endogen *earnings management* menunjukkan nilai *Durbin Watson* (DW) sebesar 2,184. Nilai Tabel *Durbin Watson* (DW) dengan jumlah n=69 dan variabel independen 2 (k=2) dl sebesar 1,554 du sebesar 1,672. Syarat tidak ada otokorelasi baik positif maupun negatif adalah $dl < DW < 4 - du$. Hasil uji otokorelasi menunjukkan $1,554 < 2,184 < 2,328$. Jadi dapat disimpulkan tidak ada otokorelasi baik positif maupun negatif.

Uji otokorelasi pada variabel endogen kinerja perusahaan menunjukkan nilai *Durbin Watson* (DW) sebesar 2,312. Nilai Tabel *Durbin Watson* (DW) dengan

Tabel 2
Uji Asumsi Rekursif Pada Variabel Endogen
***Earnings Management* (EM)**

Varabel Eksogen	VIF	Simpulan
<i>Good Corporate Governance</i>	1,085	Tidak ada hubungan (saling bebas)

Sumber: Hasil penelitian, diolah.

Tabel 3
Uji Asumsi Rekursif Pada Variabel Endogen
Kinerja Perusahaan

Varabel Eksogen	VIF	Simpulan
<i>Good Corporate Governance</i>	1,305	Tidak ada hubungan (saling bebas)
<i>Earning Management</i>	1,605	Tidak ada hubungan (saling bebas)

Sumber: Hasil penelitian, diolah.

jumlah $n=69$ dan variabel independen 2 ($k=2$) maka dl sebesar 1,554 dan sebesar 1,672. Syarat tidak ada autokorelasi baik positif maupun negatif adalah $dl < DW < 4 - du$. Hasil uji otokorelasi menunjukkan $1,554 < 2,312 < 2,328$. Jadi dapat disimpulkan tidak ada otokorelasi baik positif maupun negatif.

Uji normalitas residual dalam penelitian ini menggunakan Uji statistik nonparametrik Kolmogorov–Smirnov (K-S). Pada variabel GCG besarnya nilai Kolmogorov–Smirnov adalah 1,359 dan signifikan pada 0,050. Hal ini berarti data residual terdistribusi normal. Pada variabel ukuran perusahaan besarnya nilai Kolmogorov–Smirnov adalah 0,626 dan signifikan pada 0,829. Hal ini berarti data residual terdistribusi normal. Pada variabel *earnings management* besarnya nilai Kolmogorov–Smirnov adalah 1,091 dan signifikan pada 0,185. Hal ini berarti data residual terdistribusi normal. Pada variabel kinerja perusahaan besarnya nilai Kolmogorov–Smirnov adalah 0,356 dan signifikan pada 0,051. Hal ini berarti data residual terdistribusi normal.

Uji linearitas dalam penelitian ini menggunakan *Ramsey Test*. *Remsey Test* menyarankan suatu uji yang disebut *general test of specification* atau RESET. Syarat fungsi linear diterima dengan syarat F hitung $< F$ tabel. Hasil uji linearitas menunjukkan bahwa F hitung (0,00846) $< F$ tabel (4,73), maka dapat disimpulkan bahwa model penelitian ini adalah model linear.

Pengujian hipotesis pada penelitian ini dilakukan dengan menggunakan teknik regresi SPSS. Analisis jalur pada penelitian ini dilakukan dengan menspesifikasi hubungan antarvariabel dalam model. Uji signifikansi dilakukan dengan membandingkan

antara p -value dengan α yang ditentukan peneliti. Hasil penelitian menghasilkan variabel endogen kinerja perusahaan (Y_2) dapat dijelaskan secara signifikan oleh variabel eksogen *good corporate governance* (X_1), variabel endogen-intervening *earnings management* (Y_1) dijelaskan secara signifikan oleh variabel eksogen *good corporate governance* (X_1) dan ukuran perusahaan (X_2) yang diinterpretasikan dari masing-masing koefisien jalur. Koefisien-koefisien jalur tersebut merupakan hipotesis dalam studi ini dan dapat disajikan ke dalam dua model persamaan. Hasil penelitian dengan menganalisis koefisien regresi secara parsial (uji-t) dan secara simultan (uji-F) disajikan dalam tabel berikut ini.

Uji Sobel dilakukan dengan cara menguji kekuatan pengaruh tidak langsung *good corporate governance* terhadap kinerja perusahaan melalui *earnings management* dan ukuran perusahaan ke kinerja perusahaan melalui *earnings management*. Nilai t hitung dibandingkan dengan nilai t tabel, jika nilai t hitung $>$ nilai t tabel maka dapat disimpulkan terjadi pengaruh mediasi. Nilai t hitung -1,505626 lebih kecil dari t tabel (1,96) dengan tingkat signifikansi 0,05, maka dapat disimpulkan mediasi -0,004014 berarti tidak ada pengaruh mediasi. Nilai t hitung -2,10791 lebih besar dari t tabel (1,96) dengan tingkat signifikansi 0,05, maka dapat disimpulkan mediasi -0,016056 berarti tidak ada pengaruh mediasi.

PEMBAHASAN

Hasil temuan penelitian ini menunjukkan bahwa *good corporate governance* berpengaruh negatif signifikan

Tabel 4
Hasil Pengujian Koefisien Regresi Secara Parsial

Variabel Eksogen	Variabel Endogen	Koefisien Estimasi	t-statistik	p-value	Keterangan
<i>Good Corporate Governance</i> (X_1)	<i>Earnings Management</i> (Y_1)	-3,70	-3,659	0,001	Signifikan
<i>Good Corporate Governance</i> (X_1)	Kinerja Perusahaan (Y_2)	0,362	4,029	0,000	Signifikan
<i>Earnings Management</i> (Y_1)	Kinerja Perusahaan (Y_2)	-0,255	-2,556	0,013	Signifikan

Sumber: Hasil penelitian, diolah.

terhadap *earnings management*. Hal ini menunjukkan bahwa semakin meningkat penerapan *good corporate governance* akan mengurangi tindakan *earnings management*. Sebaliknya, jika penerapan *good corporate governance* turun akan meningkatkan tindakan *earnings management*. Hasil penelitian ini sesuai dengan H1 yang menyatakan *good corporate governance* berpengaruh negatif signifikan terhadap *earnings management*.

Penerapan prinsip GCG - pertanggungjawaban menekankan adanya sistem yang jelas untuk mengatur mekanisme pertanggungjawaban perusahaan kepada *shareholders*, dan untuk mematuhi semua peraturan dan hukum yang berlaku. Hal tersebut untuk merealisasikan tujuan yang hendak dicapai dalam *good corporate governance* yaitu mengakomodasi kepentingan pihak-pihak yang terkait dengan perusahaan seperti masyarakat, pemerintah, asosiasi bisnis, dan sebagainya. Perusahaan juga menerapkan prinsip GCG-akuntabilitas, yaitu perusahaan merupakan sistem yang mengendalikan hubungan antara organ-organ yang ada di perusahaan dan diperlukan sebagai salah satu solusi mengatasi *agency problem* yang timbul antara pemegang saham dan direksi serta pengendaliannya oleh komisaris. Akuntabilitas dapat diterapkan dengan mendorong seluruh organ perusahaan menyadari tanggungjawab, wewenang, dan hak kewajibannya.

Penerapan prinsip GCG-*fairness* mencakup adanya sistem hukum dan peraturan serta merupakan suatu upaya untuk melindungi hak-hak pemodal atau pemegang saham, termasuk pemegang saham minoritas dari kecurangan. Perlakuan yang adil dan setara dalam memenuhi hal-hak *stakeholders* yang timbul berdasarkan perjanjian dan peraturan perundangan yang berlaku untuk menjamin bahwa perusahaan dikelola secara *prudent* untuk kepentingan *stakeholder* secara *fair* dan menghindarkan terjadinya praktik korporasi yang merugikan seperti *fraud*, *dilusi*, dan *insider trading* (bebas dari korupsi).

Penerapan prinsip GCG-transparansi berhubungan dengan kualitas yang informasi disampaikan perusahaan. Kepercayaan investor sangat tergantung dengan kualitas informasi yang disampaikan perusahaan. Perusahaan dituntut untuk menyediakan informasi yang jelas, akurat, tepat waktu, dan dapat dibandingkan dengan indikator-indikator yang sama.

Penyampaian informasi kepada publik secara terbuka, benar, kredibel, dan tepat waktu akan memudahkan untuk menilai kinerja dan risiko yang dihadapi perusahaan. Perusahaan juga menerapkan prinsip GCG-*independensi*, perusahaan harus mampu menghindari terjadinya dominasi yang tidak wajar oleh *stakeholders*. Pengelola perusahaan tidak boleh terpengaruh oleh kepentingan sepihak. Perusahaan harus menghindari segala bentuk benturan kepentingan.

Penelitian ini mendukung teori agensi, penerapan GCG yang dilakukan oleh perusahaan akan memperkecilkan adanya asimetri informasi antara pemilik (prinsipal) dan manajemen (agen). Peningkatan penerapan GCG akan memperkecil adanya biaya agensi yang dikeluarkan oleh prinsipal. *Corporate governance* sebagai satuan aturan memelihara hubungan antara pemegang saham, para manajer, kreditur, pemerintah, karyawan serta pemilik internal dan eksternal penting lain yang berhubungan dengan hak dan tanggung-jawabnya. Sasaran *corporate governance* adalah untuk menciptakan nilai tambah karena penting untuk pihak pemilik. Dengan pemisahan peran antara pemegang saham (prinsipal) dan para manajer (agen), maka para manajer mempunyai suatu kendali penting dalam mengelola dana investor.

Hasil temuan penelitian ini menunjukkan bahwa *good corporate governance* berpengaruh positif signifikan terhadap kinerja perusahaan. Hal ini menunjukkan bahwa semakin meningkat penerapan *good corporate governance* akan meningkatkan kinerja perusahaan. Sebaliknya, jika penerapan *good corporate governance* turun akan menurunkan kinerja perusahaan. Hasil penelitian ini sesuai dengan H2 yang menyatakan *good corporate governance* berpengaruh positif signifikan terhadap kinerja perusahaan. Hal ini karena perusahaan telah menerapkan *Good Corporate Governance* dalam menjalankan aktivitas di perusahaannya. *Good Corporate Governance* yang dilaksanakan sesuai dengan prinsip-prinsip GCG seperti *fairness*, *independensi*, *transparency*, *accountability*, dan *responsibility* sebagai upaya untuk meningkatkan profesionalisme dan kesejahteraan pemegang saham tanpa mengabaikan kepentingan *stakeholder*.

Penilaian GCG yang dilakukan oleh IICG menilai dalam 4 kriteria yaitu *self assessment*, kelengkapan dokumen, membuat makalah dan presentasi dan observasi ke perusahaan. Perusahaan publik yang ikut

dalam perangkaan telah melakukan aspek penilaian *self-assessment* yaitu menilai faktor-faktor: komitmen, transparansi, akuntabilitas, responsibilitas, independensi, keadilan, kompetensi, kepemimpinan, kemampuan bekerjasama, pernyataan visi, misi dan tata nilai, moral dan etika, strategi. *Corporate governance* merupakan suatu proses dan struktur yang diterapkan dalam menjalankan perusahaan dengan tujuan utama meningkatkan nilai-nilai pemegang saham dalam jangka panjang dengan tetap mempertahankan kepentingan *stakeholder*. Dengan penerapan GCG diharapkan dapat meningkatkan kinerja perusahaan. Penelitian ini mendukung teori agensi. Teori keagenan mengatur masalah perbedaan kepentingan antara *principals* dan *agents*, dengan *good corporate governance* permasalahan antara agen dan prinsipal dapat diatasi. Temuan penelitian ini menunjukkan bahwa pengaruh *earnings management* sebagai mediator hubungan antara *good corporate governance* dan kinerja perusahaan tidak dapat ditunjukkan. Hasil penelitian ini tidak sesuai dengan H3 yang menyatakan bahwa *earnings management* berpengaruh positif signifikan dalam memediasi hubungan antara *good corporate governance* dan kinerja perusahaan.

Praktik *earnings management* dapat dipandang dua perspektif yaitu tindakan yang salah (negatif) dan tindakan yang seharusnya dilakukan manajemen (positif). *Earnings management* dikatakan *bad news*, jika investor menganggap bahwa tindakan *earnings management* merupakan tindakan oportunistik yang dilakukan hanya untuk kepentingan manajer. Penelitian ini mengindikasikan bahwa *earnings management* sebagai berita yang buruk sehingga adanya *earnings management* tidak direspon positif oleh investor. Pada penelitian ini perusahaan yang menerapkan GCG dengan baik tidak memerlukan tindakan *earnings management* dalam meningkatkan kinerja perusahaan.

Hasil temuan dalam penelitian ini memberikan gambaran bahwa *earnings management* berpengaruh negatif signifikan terhadap kinerja perusahaan. Hal ini menunjukkan bahwa semakin tinggi tindakan *earnings management* yang dilakukan akan menurunkan kinerja perusahaan. Sebaliknya, semakin kecil tindakan *earnings management* yang dilakukan maka akan meningkatkan kinerja perusahaan. Manajemen laba merupakan salah satu faktor yang dapat mengurangi kredibilitas laporan keuangan. Manajemen laba

menambah bias dalam laporan keuangan dan dapat mengganggu pemakai laporan keuangan yang mempercayai angka laba hasil rekayasa. Penelitian ini mengindikasikan bahwa *earnings management* sebagai berita yang buruk sehingga adanya *earnings management* tidak direspon positif oleh investor sehingga mempunyai pengaruh yang negatif terhadap kinerja perusahaan yang diukur dari reaksi pasar. Hasil penelitian ini konsisten dengan H4 yang menyatakan bahwa *earnings management* memberikan pengaruh negatif signifikan terhadap kinerja perusahaan.

Langkah untuk mengurangi praktik *earnings management* dengan cara mengurangi fleksibilitas manajemen dengan menetapkan peningkatan kualitas laporan keuangan dengan penerapan standar keuangan. Peningkatan kualitas laporan keuangan akan mengurangi indikasi tindakan *earnings management*. Penelitian ini mendukung teori agensi. *Earnings management* dapat terjadi karena adanya asimetri informasi. Manajemen mempunyai peluang untuk melakukan *earnings management*, karena manajemen mempunyai informasi yang lebih baik dibandingkan lainnya. Kinerja perusahaan setelah penawaran perdana, manajemen tidak dapat lagi melakukan *earnings management* yang meningkatkan laba. Ketika laba perusahaan lebih rendah dari ekspektasi investor maka harga saham perusahaan juga akan mengalami penurunan.

SIMPULAN

Berdasarkan hasil penelitian dan pembahasan, maka simpulan penelitian ini adalah 1) *Good Corporate Governance* berpengaruh negatif signifikan terhadap *earnings management*, artinya semakin meningkatnya penerapan *good corporate governance* dalam perusahaan maka menurunkan motivasi manajemen untuk tindakan *earnings management*. Penerapan GCG dapat berdampak pada peningkatan integritas laporan keuangan sehingga meningkatkan kepercayaan investor. Perusahaan yang menerapkan GCG dengan baik akan menghindari tindakan *earnings management*. Temuan penelitian ini mendukung *agency theory*. Temuan penelitian ini mendukung hasil riset hasil Liu dan Zhou (2007) dan Kanagaretnam *et al.* (2007); 2) *Good Corporate Governance* berpengaruh positif signifikan terhadap kinerja perusahaan, artinya semakin meningkat penerapan *Good Corporate Governance*

dalam perusahaan maka semakin tinggi kinerja perusahaan. Perusahaan yang menerapkan GCG akan menghasilkan kinerja perusahaan yang lebih baik. Temuan penelitian ini mendukung *Agency Theory*. Temuan penelitian ini mendukung hasil riset Cornett *et al* (2009) serta Brown dan Caylor (2006); 3) *Earnings management* tidak memberikan pengaruh mediasi hubungan antara *good corporate governance* dan kinerja perusahaan. Penelitian ini menyimpulkan adanya perusahaan yang sudah menerapkan GCG dengan baik tidak memerlukan tindakan *earnings management* dalam meningkatkan kinerja perusahaan. Temuan penelitian ini mendukung *agency theory*. Temuan penelitian ini mendukung hasil riset Black *et al.* (2005); dan 4) *Earnings management* berpengaruh negatif signifikan terhadap kinerja perusahaan, artinya semakin besar tindakan *earnings management* yang dilakukan perusahaan akan mengakibatkan kinerja perusahaan semakin turun. Semakin besar tindakan *earnings management* yang dilakukan perusahaan, dapat membuat investor salah dalam menilai kinerja perusahaan tersebut dan salah dalam keputusan berinvestasi. Temuan penelitian ini mendukung teori *agency theory*. Temuan penelitian ini mendukung hasil riset Herawati (2007) serta Klapper dan Love (2002).

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CORPORATE GOVERNANCE AND ACCOUNTING REFORM IN EMERGING ECONOMIES: THE CASE OF INDONESIAN LISTED COMPANIES

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ABSTRACT

The primary objective of this study is to answer the question whether the introduction of corporate governance (CG) codes and the convergence accounting standards to International Financial Reporting Standards (IFRS) has significant impact on the income smoothing (IS) practices among Indonesian listed firms. Answering this questions was a great concern to all market participants because the high occurring of IS practices within Indonesian listed firms were high (56%). Moreover, CG codes and IFRS were developed from countries that have different context and conditions with Indonesia. The paired t-test for comparing two means was used to know the effect of the introduction of CG codes and the convergence accounting standards to IFRS. For investigate the factors associated with income smoothing, the logistic analysis was used in a multivariate setting. Research concluded, there was a significant difference of IS practices after the introduction CG codes and after the convergence accounting standards to IFRS compared to its prior period respectively.

Keywords: income smoothing practices, corporate governance, IFRS

JEL classification: O16, G34

INTRODUCTION

Business investment through capital markets is the main driver of economic growth in many countries. Indeed, capital market plays a crucial role in rising capital, promoting balance and stability in the financial system, driving the national economy and creating jobs. There are many factors involved in maintaining the growth of capital market but the financial report quality of listed companies are the most important factors as they have been the research focus from different perspectives. However, the overall conditions of financial report quality among Indonesian listed companies are still considered poor. A McKinsey investor opinion survey (2006) and World Bank Survey (2004) noted that Indonesia had the lowest perceived of financial report quality among four ASEAN countries (Singapore, Malaysia, Thailand and Philippines). There are many factors involved on the poor of financial report quality by Indonesian listed firms, one of them because of the high of IS practices (Susanti, 2008). The IS practices happen when a company's management takes steps to reduce and store earnings during the good years and defer them for use during the business-downturn years or vice versa (Kang & Kim, 2011; Chong, 2008). Recent accounting research on IS practice reveals that comparison to their developed-country counterparts, IS practices in developing and emerg-

ing economies are higher (Bhattacharya, *et al.*, 2004). As an emerging market, Indonesia has a very high occurrence of IS practices since around 56% of Indonesian listed firms committed such practices (Susanti, 2008). The IS practices will not only result in fictitious information in financial reports but in the long term they could also lead to other complex manipulation to meet the increasing internal sales target and external stakeholders' expectation.

To effectively constrain the IS practices which eventually will improve the FRQ, attentions should be given to two important factors influencing financial reporting: the accounting standards used in prepare the financial reports and the corporate governance mechanisms. First, good accounting standards can limit the opportunistic discretion and may result in accounting earnings that are more reflective of a company's underlying economics and, therefore, are of higher quality (Jeanjean & Stolowy, 2008). It is expected that accounting amounts determined by the IFRS are of higher quality than those determined in domestic generally adopted accounting principles (Elena *et al.*, 2011; Mc Anally *et al.*, 2011).

Second, CG Codes plays an important role in monitoring and evaluating management and assessing whether directors acted responsibly when corporations fail. CG Codes acts to align the interests of shareholders and management over long periods in complex organizations. It aims to ensure that management will exert maximum effort on behalf of shareholders, and will not misappropriate resources via excessive abuse of authority (Bauwhede & Willekens, 2003). After the financial crisis in 1998, the Indonesian government had initiated many efforts to improve the FRQ of the listed companies. These efforts can be grouped into these following major events: Firstly, in 2000 introduced the National Code of Corporate Governance and listing requirements of the Jakarta Stock Exchange (IDX, 2002). Secondly, in 2005 the converged the Indonesian accounting standards to IFRS. Therefore, the main objective of this study is to examine the IS practices in three different periods and to identify factors contributing to this practices in Indonesian public listed companies. Accordingly, there are two specific research objectives as follows 1) To investigate the effect of CG reforms and accounting standard reforms on IS practice by Indonesian listed firms in the period from 1995

to 2009 and to ascertain whether the IS practices have become less or still remain the same or similar and 2) To investigate the effects of selected Indonesian listed company corporate governance attributes (the independent boards and independent audit committee) and external audit quality to the IS practices.

MATERIALS AND METHODS

Many theories have been applied to understand why income smoothing is practiced by many companies despite it is prone to financial fraud. Although theories underlying the concept of income smoothing are still waiting for detailed development (Stolowy & Bartov, 2004), two well-known theories will be presented: Agency Theory and Positive Accounting Theory (PAT). Agency Theory is defined as a relationship by consent between two parties, whereby one party (agent) agrees to act on behalf of the other party (principal). For example, the relationship between shareholders and managers of a corporation is an agency relationship. Agency Theory assumes there is a conflict of interest between the principal (such as the owners of a firm) and the agent (such as the manager). An agency problem arises because the agent may not act in the best interest of the principal and vice versa. Agency Theory could be used to understand the practice of IS that it is a result of conflicting interests between the principal and agents especially on how agents response to the contract of their compensation structure.

Second, PAT refers to theory that attempt to explain and predict accounting practice that will be chosen by managers. PAT focuses on the relationships between the various individuals involved in providing resources to an organization and how accounting is used to assist in the functioning of these relationships. PAT provides some predictions about accounting choices used by managers. Related to income smoothing practices, this prediction will be useful for financial reporting users (e.g. investor, financial analyst, lender, auditors, and standard setters). For example, by using the PAT investors or analysts do not interpret balance sheets and income numbers as unbiased estimates of firm value and changes in firm value. Instead, they recognize the effect of the contracting and political processes on the calculation of income and balance sheet numbers (Collin *et al.*, 2009).

Prior studies address the importance of corporate governance in constraining earnings management and IS practices in Korea, Germany, Romania and Taiwan (Kang & Kim, 2011; Liliana *et al.*, 2011) and in emerging markets (Kim & Yi, 2006), as well as studies in Indonesia (Nuryanah, 2011; Siregar & Utama, 2008; Arifin, 2003). These studies provide evidence that the better corporate governance characteristic was associated with lower levels of earnings management or IS practices and therefore will improve the FRQ. Accordingly the hypothesis for this study is stated as follows:

H₁: There is significantly difference on IS practice after the adoption of CG Codes compared to the preperiod adoption.

As the rapid growth in international business and the globalization of capital markets, since 2000 there has been a growing movement in countries all over the world to adopt IFRS for listed and cross-listed companies. Starting in 2005 the IAI has had a commitment that Indonesian accounting standards have to gradually converge to IFRS (IAI, 2009). Prior studies have documented that accounting quality has improved after voluntary IFRS adoption (Ball *et al.*, 2003). The proponents contend that the current version of IFRS has reduced allowable accounting alternatives, limited the management's opportunistic discretions, and required accounting measurement and disclosure that can better reflect a company's financial position and economic performance (Leuz *et al.*, 2008; Barth *et al.*, 2008). Therefore, it is hypothesized that after the adoption of IFRS the IS practices will be lesser. Accordingly the hypothesis for this study is stated as follows:

H₂: There is a significantly difference on IS practices after the convergence to IFRS compared to the pre-period convergence.

After verifying the two main hypotheses, the next step was to determine the factor affecting income smoothing practices on Indonesia listed companies. Based on the prior research, it is concluded that IS practices might be influenced by some factors. The succeeding sections present the hypotheses on the relationship of three variables to income smoothing practices.

An independent board plays an important role in today's complex organization when the specific interests of executive management and the wider interest of

the company may diverge (Machuga & Teitel, 2007; Davidson *et al.*, 2005). Independent non-executive directors are generally considered better in monitoring than other directors because they have the ability to act with a view to the interests of the company (Liliana *et al.*, 2011). However, Brend and Patrick (2011) find that outside directors do not reduce the incident of earnings management. Outside directors may lack the financial sophistication to detect earnings management or sense of ownership to the firm they monitor. As the board size varies, the proportion of independent non-executive directors on the boards would give an indication of the board's relative independence. For this study the proportion of independent board members is calculated from the number of independent commissioners divided by the total number of commissioners on the board. Accordingly, the hypothesis is:

H₃: There is a significant relationship between the IS practices and the existence of independent commissioner on the board.

It is generally accepted that audit committees play a significant role in a firm's corporate governance system (Shen & Chih, 2007). Xie *et al.* (2009) and Davidson *et al.* (2005) find that an independent audit committee and active audit committee are associated with lower levels of discretionary accruals. This is because as one of the main roles of the audit committee is to monitor the integrity of the financial reporting of the firm. It is expected that an active, well-functioning and well-structured audit committee will be effective in constraining the managerial behavior on IS practices (Chatterjee, 2011; Krishnan, 2005 & 2003). For this study, the independent audit committee is measured based on the proportion percentage of the independent audit committee, calculated from the number of independent audit committee divided by the total number of audit committee members. Thus, the hypothesis tested in the study can be stated as follows:

H₄: There is a significant relationship between the IS practices and the existence of the independent audit committee on the board.

The external audit is intended to enhance the credibility of the financial statements of a firm. External auditors are supposed to verify and certify the quality of financial statements issued by the management (Fan & Wong, 2005). Several studies examine the association between external auditor quality and earnings

management. Research evidence suggests that the large audit firms are perceived to perform a higher audit quality than smaller audit firms (O'Sullivan *et al.*, 2008; Yang *et al.*, 2008; and Xie *et al.*, 2003). The type of auditors is selected as an explanatory variable in this study to determine whether the magnitude of IS practices is a function of the type of auditors (O'Sullivan *et al.*, 2008; Krishnan, 2005).

The types of external auditors are categorized into groups; before 1998 the "Big six" firms (Arthur Andersen, Deloitte and Touche, Peat Marwick Mitchell, Ernst and Young, Cooper and Lybrand, and Price Waterhouse) or after 1998 the "Big four" firms (Deloitte Touche Tohmatsu, KPMG, Ernst & Young, and Price Waterhouse Cooper) and "non- Big-six" firms (other than the big six or big four firm). The "Big six or four", which operate throughout the world with high reputation, are expected to be unlikely involved in and associated with income smoothing practices. On the other hand, the "non-Big-six-or-four" firms are hypothesized to be as less reputable and lower prestige is expected to have more tolerance with their (Fan & Wong, 2005). External auditors' size is used to measure external audit quality, where one for firms audited by Big 6 or 4 auditors (high audit quality) and zero for firms audited by non-Big 6 or 4 auditors (low audit quality). Accordingly, the hypothesis is as follows:

H₅: There is a significant relationship between the IS practices and the quality of external audit firms.

The process to identify which company is practicing IS among all companies listed in IDX was conducted by employing income variability method was used to determine the income smoothing index:

$$\text{Income smoothing index} = (CV_i / CV_s)$$

Where:

i = one-period change in income

s = one-period change in sales

CV_j = coefficient of variation for period *j* (i.e., *j*'s standard deviation divided by its expected value)

If the *Cv_i* (the coefficient of variation for income) is less than the *CV_s* (the coefficient of variation for sales), the ratio will be less than one, then suggesting that the firm is an income smoother. There were three types of income smoothing objects examined in this study. They were income from operations (IFO),

income before extraordinary items (IBE) and net income after tax (NIT). Firms that had average scores of less than one from the three smoothing objects (IFO, IBE, and NIT) were categorized as smoother firms and needed further analysis in the second stage. Accordingly, the non-smoother samples were firms that had average score $e^* > 1$ from all three smoothing objects.

For H3 up to H5 of this study, the logistic analysis was used in a multivariate setting to investigate the factors associated with income smoothing. The logistic model is considered appropriate because the dependent variable is nominally measured (dichotomous "0" and "1") and the independent variables are either interval or nominally measured. The logistic regression is a form of regression which is used when the dependent is a dichotomy (of 2 categories) and the independents are of any type. The goal is to find the best set of coefficients so that the cases that belong to a particular category will, when using the equation, have a very high calculated probability that they will be allocated to that category. This enables new cases to be classified with a reasonably high degree of accuracy as well (McClave, 2011). Diagrammatically the logistic regression model above can be described as in Figure 1.

Table 1 presents the final number of firms with complete data (137) for analysis after 19 firms were removed from the initial number of firms. These 19 firms were financial institution, delisted, privatized, or merged during the period of 1995 to 2009.

For each of these 137 firms was then analyzed its income smoothing practice at three different periods. In each period, the Eckel index of a firm was computed for all three smoothing objects (IFO, IBE, NIT). A firm was categorized as a smoother firm if the average of these three Eckel indexes were less than 1. Since each firm was categorized as a smoother and non-smoother exclusively then each was labeled using 1 or 0 respectively. Table 2 lists the number of smoothing and non-smoothing firms for three different periods.

RESULT AND DISCUSSION

The first research objective aims to know the effect of the introduction of CG Codes on IS practice, then the analysis can be carried out by comparing the proportion of smoother firms in two different periods. These

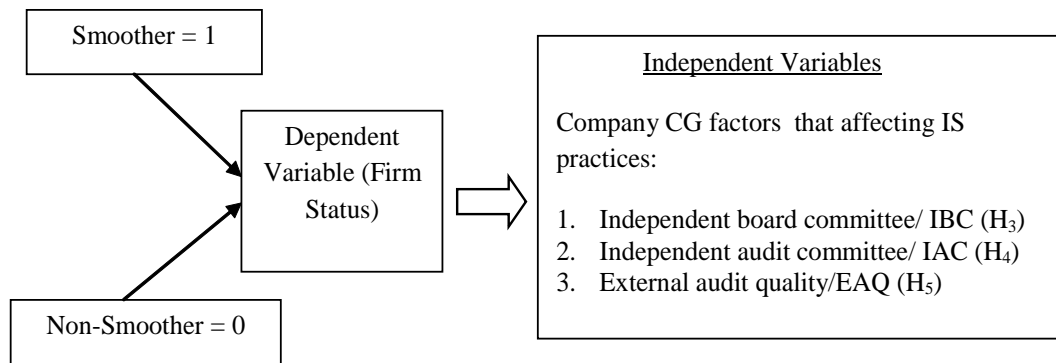


Figure 1
Diagram of the Logistic Regression Test

Table 1
Firms with Complete Financial Data

Description	Number of firms
Listed firms with complete financial report (1995 up to 2009)	156
Financial institution, delisted, privatized or merged firms	(19)
Listed firms with complete data from 1995 up to 2009	137

Source: Research data.

Table 2
The Smoothing and Non-smoothing Firms for Three Different Periods

1995 - 1999		2000 - 2004		2005 - 2009	
Smoother	Non-Smoother	Smoother	Non-Smoother	Smoother	Non-Smoother
81	56	74	63	68	69
59%	51%	54%	56%	49%	51%

Source: Research data.

periods were before (1995-1999) and after (2000-2004) the introduction of CG Codes. To make sure that the analysis really answer the effect CG Codes to firm IS practices, a paired-sample t-test is employed. It is because each sample was collected from the same firm (each firm gave two values, smoothing or non-smoothing in two different periods). In other words, the paired samples t-test was be used to determine whether two

means are different from each other when the two samples are taken from the matched individuals or the same individuals (McClave *at al.*, 2011). Table 3 provides the descriptive statistics for each of the two groups before (1995-1999) and after (2000-2004) the introduction of CG Codes, in which there are N= 137 pairs of observations. The column labeled "Mean" is basically the proportion of smoother firms out of 137 firms.

Table 3
Descriptive Sample T Test on Continuous Dependent Variables
Before and After Introduction of CG Codes

Description	Mean	N	Std. Deviation	Std. Error Mean
1995-1999	0.74	137	0.442	0.038
2000-2004	0.66	137	0.474	0.040

Source: Research data.

The statistical test to facilitate the hypothesis testing that CG Codes affects significantly to the IS practice is given in Table 4. From this table, the column labeled “mean” is the difference of the two proportion of smoothing firms before and after the introduction of CG Codes. The proportion difference is 0.073 (0.74-0.66) which means that the proportion decrease. Therefore, a paired sample *t* test shows a statistically significant difference between the mean numbers during the financial crisis (1995-1999) (M=0.74, s= 0.442) and after the introduction of CG Codes (2000-2004) with (M=0.66, s=0.474) of the smoother firms, $t(136) = 3.272, p = 0.001, \alpha = 0.01$.

Therefore the result supported the first hypotheses that there is a significant difference on reducing of IS practices after the adoption of CG Codes when compared to the practices in the pre-adoption period. The reason was corporate governance systems establishing transparency and accountability through financial reporting systems and enhance the financial re-

porting quality. This finding is consistent with the research conducted by Lin (2011) in Taiwan, Adekoya (2011) in Nigeria, Machuga *et al.*, (2007) in Mexico and Yang *et al.*, (2008) in China, who found that listed companies report lower income smoothing practices after introduction of CG Codes.

The second hypothesis of this study is to answer whether firms’ IS practices significantly decreased after the Indonesian GAAP converged to IFRS in 2005. Steps used to answer this question were similar to the one for the first hypothesis. The effect of the convergence of IFRS to IS practices was analyzed by comparing the proportion of smoother firms in two different periods. These periods were before the convergence of Indonesian GAAP to IFRS (2000-2004) and after the convergence (2005-2009). Table 5 provides the descriptive statistics for each of the two groups, before convergence of Indonesian GAAP to IFRS (2000-2004) and after (2005-2009), in which there were N= 137 pairs of observations and the column labeled “Mean” is basically the proportion of smoother firms out of 137 firms.

Table 4
Paired Differences Sample Test Before and After Introduction of CG Code

Description	Mean	Std. Deviation	Std. Error Mean	T	df	Sig. (2tailed)
Pair 1995-1999 with 2000-2004	0.073	0.261	0.022	3.272	136	0.001***

Source: Research data.

* Notes: The table indicated significance at 0.01 (***), 0.05(**) and 0.1(*) levels

Table 5
Descriptive Sample T Test on Continuous Dependent Variables
Before and After Convergence to IFRS

Description	Mean	N	Std. Deviation	Std. Error Mean
2000-2004	0.66	137	0.474	0.040
2005-2009	0.60	137	0.492	0.042

Source: Research data.

In the Table 6, the column labeled “mean” is the difference of the two proportion of smoothing firms before and after the convergence of Indonesian GAAP to IFRS. The proportion difference is 0.066 (0.66-0.60), which means that the proportion decrease. A paired sample *t* test showed a statistically significant difference between mean number before the convergence (2000-2004) (M=0.66, s= 0.474) and after the convergence to IFRS (2005-2009) with (M=0.60, s= 0.492) of the smoother firms, $t(136) = 2.546, p = 0.012, \alpha = 0.05$.

Therefore, the finding presented in the Table 6 supports the second hypothesis that there is a significant difference of IS practices before and after Indonesian GAAP converged to IFRS. This result reveals the improvement of financial report quality as shown by the reduction of IS practices. The results indicate that the adoption of IFRS reporting leads to significant benefits in terms of increases transparency and limited the management’s opportunistic discretions that can better reflect a company’s financial reporting. This research finding is in line with the previous research by Lin et al., (2011) in Taiwan, Warsame (2006) and Adekoya (2011) in Africa and Aussenegg et al., (2008)

in European listed firms, who found that after IFRS adoption the IS practices reduced significantly and, therefore, improved the FRQ.

Income smoothing behavior was hypothesized to be associated with several factors. For the hypotheses (H3 until H5) are to investigate the association between company specific variables to IS practices. This association was modeled using the logistic regression. Using this model, the dependent variable only contains two categories: the income smoothing status of companies, which 1 is for smoothers and 0 for non-smoothers. Table 7 shows the logistic regression output with the logistic regression model which is as follows:

$$\text{Logit}(\pi) = \ln [\pi/1-\pi] = \alpha + \beta_1 \text{IBC}_i + \beta_2 \text{IAC}_i + \beta_3 \text{EAQ}$$

From these outputs, the estimated logistic regression equation for the period of after the convergence to IFRS (2005-2009) can be determined as follows:

$$\text{Logit}(\pi) = 12.011 + 0.020 \cdot \text{IBC} + 0.007 \cdot \text{IAC} - 1.130 \cdot \text{EAQ}$$

Table 6
Paired Differences Sample Test; Before and After Convergence to IFRS

Description	Mean	Std. Deviation	Std. Error Mean	T	df	Sig. (2tailed)
Pair 2000-2004 with 2005-2009	0.066	0.302	0.026	2.546	136	0.012**

Source: Research data.

* Notes: The table indicated significance at 0.01 (***), 0.05(**) and 0.1(*) levels

Table 7
Logistic Regression Analysis

Variables	After Introduction CG Codes (2000-2004)						After Convergence to IFRS (2005-2009)					
	B	S.E.	Wald	df	Sig.	Exp(B)	B	S.E.	Wald	df	Sig.	Exp(B)
IBC	0.016	0.024	0.046	1	0.504	0.616	0.020	0.026	0.551	1	0.445	1.020
IAC	-0.012	0.026	0.252	1	0.727	0.994	0.007	0.023	0.075	1	0.584	1.007
EAQ	-0.954	0.544	3.080	1	0.080*	0.385	-1.130	0.477	4.347	1	0.040**	0.340
Constant	9.718	2.862	10.157	1	0.013	16618.1	12.011	3.927	8.775	1	0.004	164617
-2 Log-likelihood Value						282.577						198.783
Omnibus Test (Model Chi square)						86.093 (df=8) (p>0.000)						80.915 (df=8) p>0.000)
Hosmer & Lemeshow (Goodness of fit test)						7.820 (df=8) (p>0.651)						6.156 (df=8) (p>0.630)
Cox & Snell R Square						0.562						0.697
Nagelkerke R Square						0.695						0.768

Source: Research data.

Notes: The table indicated significance at 0.01 (***), 0.05(**) and 0.1(*) levels

The result of Table 7 also shows the model Chi-square which tests the joint null hypotheses that all slope coefficients are zero proves to be statistically significant at the 1% level for all three periods. This implies that the eight model's predictors are able to predict the IS practices. The Nagelkerke R-square was 0.695 after the introduction of CG Codes (2000-2004), and was 0.768 after the convergence to IFRS (2005 - 2009). It means that on the average the model's predictors could explain 73% in the variation of the smoothing practices. This percentage indicates a moderately strong relationship of 73% between the predictors and the prediction (Nuryanah, 2011).

To test the reliability of the estimated model, the study used the Hosmer and Lemeshow (H-L) goodness-of-fit test in testing the difference between the model's predicted values and the observed values. If the H-L goodness-of-fit test is greater than 0.05, as wanted for well-fitting model, then one fails to reject the null hypothesis that there is no difference between the observed and model-predicted value. This means that well-fitting models show non-significance on the H-L goodness of fit test. With these in mind, the p-value of 0.630 for the period after convergence to IFRS (2005 - 2009), which is computed from the Chi-square distribution with 8 degrees of freedom, is not statistically significant and, therefore, the used model was quite a good fit. The same findings occurred for the

period after the introduction of CG Codes 0.651, which means that the used model is quite a good fit respectively.

The Exp(B) value in Table 7 indicates the increase or decrease in predicted probabilities if the corresponding predictor is increased by one unit. If the value of Exp(B) exceeds 1 then the predicted probability of occurrence increases, conversely if Exp(B) value is less than 1, any increase in the corresponding predictor leads to the decrease of the predicted probability. For example, the Exp(B) value associated with independent of board committee (IBC) is 0.016 for the period after introduction CG Codes (2000-2004). Hence, when IBC is raised by one unit the predicted probability of occurrence is 0.016 times large.

Board practices have been prominently discussed in the literature since the board has a vital role to play in a company as its function is to manage and direct the management (Hapsoro, 2006; Brend & Patrick, 2011). The logistic regression tests generated results that over two periods, from 2000 up to 2004 (after the introduction of CG Codes) and from 2005 up to 2009 (after converging to IFRS), the existence of independent board committee was not statistically significant related to IS practice at p= 0.504 and at p=0.445 with $\alpha=0.1$ (Table 7). For the Indonesia case this non-significant association could be attributed to the factor that Indonesian listed company being dominated by

the majority shareholders most of external board commissioners were not totally “independent” in the incumbent management and also some of them were pointed as independent due to their close relationship with the major shareholders (Nuryanah, 2011) and also they are pointed due to their previous high position in the bureaucracy (e.g. retired politicians and army personnel) (Tabalujan, 2002), because of that many board members are not independent from each other (Tabalujan, 2002). Therefore, the revision of the corporate governance codes, corporate laws and listing requirements does not guarantee compliance and implementation in practice of good corporate governance in Indonesian companies.

It is generally believed that an independent audit committee provides effective monitoring of the financial discretion of management and in ensuring the credibility of the financial report quality. However, the logistic regression (Table 7) results indicate a negative relation ($\hat{\alpha}=0.1$) between IS practices and the percentage of independent audit committee of Indonesian listed firms on the level of $p=0.727$ for the period after the introduction of CG Codes (2000-2004) and of $p=0.584$ for after the period of the convergence to IFRS (2005-2009). It means that independent audit committee did not have ability to constrain IS practices. Within Indonesian case, some research have concluded that most of Indonesian listed companies have audit committees but audit committees are not entirely independent (Daniel, 2003) and also in Indonesian firms the audit committees are largely for the sake ceremonial and procedural compliance rather than quality compliance; therefore, they are largely ineffective in improving financial reporting process.

This research finding is the same with other research in developing countries such as in India (Sanan & Yadav, 2011), in Uganda (Nkundabanyanya *et al.*, 2011) and in Tunisian (Klai & Omri, 2011) find that majority of companies listed on the stock exchange tend to comply with all regulations imposed on them, such as the requirement to disclose audit committee reports, although they were not much concerned with the quality of these reports. This implies adversely on the corporate governance practice, audit committee duty and hence the quality of financial reporting. The primary purpose of the external audit function is to give opinion and to obtain reasonable assurance

that financial statements are free of material misstatement. This study aims to test if the external audit has a significant effect to the practice of IS. Therefore, as stated in hypothesis H5, it is hypothesized that there is a significant relationship between the IS practices and the quality of external audit firms. The logistic regression results in Table 7 show that external audit quality has a low significant relationship ($\hat{\alpha}=0.1$) with IS practices for two periods, during the financial crisis (1995-1999) at $p=0.084$ and after the introduction of CG Codes (2000-2004) at $p=0.080$, but it has higher significant relationship ($\hat{\alpha}=0.05$) at $p=0.040$ after the convergence to IFRS (2005-2009).

After the convergence to IFRS in 2005 there was a positive association ($\hat{\alpha}=0.05$) between external audit quality and the income smoothing practices at $p=0.040$ (Table 7). The possible explanation is that after the financial crisis period the economy was more stable and this created a major challenge for managers and external audit seeking to maintain investors’ confidence in companies’ performance. Auditing is expected to serve as a monitoring role to reduce agency costs between the managers and the firms’ stakeholders. The finding shows that high quality external audit can constrain IS practices and can provide more precise financial information. This research finding is in line with the research conducted by O’Sullivan *et al.* (2008) and Krishnan (2005), which find that large audit firms are perceived to perform higher quality audit than smaller audit firms. Similarly, a recent research within the Indonesia setting by Nuryanah *et al.*, (2011) also provides evidence that ‘the big five’ auditors are related to less earning management practices of Indonesian listed firms.

CONCLUSION, LIMITATION, AND SUGGESTION

Conclusions

This study has found sufficient evidence that the IS practices by Indonesian listed firms get lesser after the introduction CG Codes and the convergence Indonesian accounting standards to IFRS, but occurrence of IS practices in Indonesian listed firms was still high (51%) after the introduction of some regulations. Consequently, the regulators and standard setters in Indonesia should realize that the big challenge is not merely

on releasing standards and regulations but is on ensuring that they can be well- socialized, implemented and monitored. Therefore, efforts should be directed not only at developing rules and regulation but most importantly at promoting awareness of using appropriate accounting standards as a good means for sustainable and responsible financial accounting practices.

Limitations

The limitation of this research was, this study has focused on publicly listed companies in Indonesia, as an emerging capital market. Therefore, the findings reported in this study might not be generalizable to other firms in other countries with different economic and business settings.

Suggestions

The suggestions for future research that further research may add other characteristics of the boards of directors and audit committee, for the boards of directors, other characteristics, such as the tenure or the total number of meetings of the board committee may serve as additional characteristics of their independent monitoring ability. For audit committee, additional characteristics such as the number of audit meetings, the proportion of the audit committee members with accounting or financial expertise, and their previous experiences activities might be included to detect their effects on IS practices.

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ANALYSIS OF CALL OPTION APPLICATIONS USING BUTTERFLY AND CONDOR STRATEGY TO RETURN ON INVESTMENT IN OPTION CONTRACT ON INDONESIA STOCK EXCHANGE

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ABSTRACT

This study is conducted to know the best strategy between Butterfly Spread Strategy and Condor Spread Strategy in obtain good return on investment in option contract on Indonesia Stock Exchange within period of 1 month, 2 months, and 3 months contract in period of 2008 – 2010. Black Scholes Option Pricing Model is used to estimate call option price and followed by calculating the return on investment of both strategies from chosen period. Overall, the results of this study show that Butterfly Spread Strategy is better option strategy in terms of return on investment within period of 1 month, 2 months, and 3 months contract in period of 2008 – 2010 then Condor Spread Strategy.

Keywords: call option, butterfly strategy, condor strategy, return on investment, option contract

JEL classification: G11, G13

INTRODUCTION

Option is an official contract which gives the holder the rights to buy/sell an asset or to exchange in the

future at a certain date for a certain price. Moreover, assets on options have a certain prices such as the basic price or *spot price* and also *exercise price/strike price*. Maturity of an option contract also determines that option is worth it or not, if the option contract is not executed at the time of the maturity then the option is no longer valued. Option has been known in the scope of capital market since 1975, but in Indonesia only a few companies that have used the option contract. There are 4 companies that used the option contract which are PT. Telkom, Bank BCA, PT. Astra, and PT. Indofood.

In its development options contracts have many options strategies that can be used by investors, including *bull* strategy, *bear* strategy, *strangle* strategy, *straddle* strategy, *condor* strategy, *butterfly* strategy, *box* strategy, and *calendars* strategy. In this research, the researchers will compare the use of the butterfly spread strategy with calls to the condor spread strategy with calls.

In this study, the researchers have known that the *butterfly* strategy is an option strategy that can provide a hedge function to the investors, and had proven to protect the investor's losses when the index price decreased. Then researchers learned based on theory that there are other strategies that have similar

characteristic of hedge in *butterfly* strategy, the strategy is *condor* strategy. With a background of phenomena or event that has been described, the researchers would like to compare between the uses of both strategies, which one can produce better return on investment. The result of this research is expected to be used as an input for investors in performing option contract.

If we see in previous study, although there has been no research on the use of *condor* strategy, the results of research with using *butterfly* strategy proved more profitable than using *condor* strategy on option contract. But if we view from the characteristic of the advantages owned by *condor* strategy, investor will get a greater profit. It becomes the reason to see how the comparison of return on investment from both strategies.

Some references mentioned both strategies which are almost the same, whether in terms of making a purchase and selling contract to make investments and in terms of the risk responsibility (Martellini *et al.*, 2002). It also mentioned that the *condor* strategy is a variation of the *butterfly* strategy. Both strategies have a low risk, but also low benefit. The same advantages of both strategies, for example are having low risk in investing and providing hedging to investors, while the disadvantage for investor is that they have not that big payoff. Because of those several similarities the researchers finds them attractive reason to do research to compare both strategies in an *option contract*.

Moreover these two strategies use a contract on long positions and short calls at the same time where both contracts are very contradictory, it is also considered to be interesting to do research because the strategies are quite extreme strategy (a strategy that is more complicated than other strategies to apply), so the researchers thinks there are more challenges in the preparation of his research.

Butterfly spread with calls strategy actually is executed using four *calls*, with the same period and also the same stock, but it looks like executing three *calls* because the execution done by purchasing one *call* with low *exercise price*, purchasing one *call* with high *exercise price*, and selling two *calls* with mid *exercise price*. While *condor spread with calls* strategy is executed with the same concept using four *calls*,

there are differences with *butterfly spread with calls*. *Condor's* execution is done by purchasing one *call* with low exercise price, selling one *call* with quite and slightly high exercise price, and purchasing one *call* with the most high exercise price. In term of selling both *calls* there are some differences.

In calculation of the option *butterfly* and *condor* strategy that must use the underlying assets and the same time period, it needs to use the "LQ45" index as underlying assets which is researched and with the same period of option contract for one month, two months, and three months during the period 2008 – 2010. So by comparing the use of the *butterfly spread* strategy with *condor spread* strategy, researchers can find out which strategy is better in terms of achieving returns that will be used as an alternative for investors to invest in options contracts on the Index LQ 45. Based on the background that is already stated and on the research title, the point of this research is to compare the strategy in option especially *butterfly spread with calls* strategy and *condor spread with calls* strategy in LQ 45 index to determine which one is the best on period 2008 - 2010

MATERIALS AND METHODS

Derivative is a financial instrument whose the value of transaction comes from the derivative assets that is more basic or commonly called as underlying assets. Hull (2009) stated that derivative can be defined as a financial instrument whose value depends on (or derives from) the values of other, more basic underlying variables.

Assets which underlying the value of derivative may come from various sources, such as stocks, market index, interest rates and so on. Derivatives itself has several instruments that are traded, in example *forward & future contract*, *swaps*, and the one of them is *option (option contract)*. Option is a derivative instrument which has different criteria than the other derivative instruments, the option gives the right (but not the obligation) to swap assets or to sell or buy an underlying asset at a price and time that has been determined (Broadie *et al.*, 2007). While, Reilly & Brown (2009) stated that an option contract gives its holder the right but not obligation to conduct a transaction involving an underlying security or commodity at pre-

determined future date and at a predetermined price. There are two types of option in this instrument which are *call option* is the right to buy and *put option* is the right to sell. *Call option* is the right that is given to the owner of a contract to buy the assets in the future with a certain price and time that has been agreed. While the *put option* gives the right to the owner of the contract to sell the assets in the future with price level and time that has been agreed (Bondarenko, 2003). In every *option* transactions there are two parties which involved and it called as buyer and seller. The buyers of option pay a certain amount to the *option* seller; it is called as option price (premium). Option seller receives cash upfront, but has potential of debt for in the future. The advantages and disadvantages of the option seller are inversely to the advantages and disadvantages owned by the option buyer (Buraschi & Jackwerth, 2001).

So the option contract containing several terminologies that must be understood which are 1) *Strike Price / exercise price of call option*, a set price when the contract is executed in the present time that has to be paid by the buyer of the contract when the contract expired; 2) *Exercise of call option*, an execution by paying *strike price* in order to obtain asset; 3) *Expiration date*, A maturity time where an option contract must be executed or otherwise it becomes useless; 4) *Exercise style*. There are two systems in option contract that is called as The *American* option and The *European* option. The differences between those options contract are The *American* option could execute the option contract before it ended or in certain time. Meanwhile, the execution of *European* contract can be done when the contract ends or in maturity time.

The use of call option can be described on the illustration in index (Coval & Tyler, 2001). Let's assume the investor buy *European call options* with *strike price* \$90 for buying 100 shares of LQ 45 index. Suppose the current price of index is \$70, the expiration date of the options is 6 month, and the price of option is \$6. Because the option is European, the investor can exercise only on the expiration date. If the stock price on this date is less than \$90, the investor will clearly choose not to exercise. Because it definitely will make the investor suffered losses from the payment of the option price for \$600 (came from \$6/share x 100 shares). And if the current price in maturity time is more than

\$90, the investors will use their right to buy the option. Suppose the current price in maturity time is \$97. By using their right, investors can buy 100 share of LQ 45 index for \$90 / share. So that the profit that gained from investor and directly sell LQ 45 index in market price is about \$7 / share exclude the transaction costs. If the investor put the option price it will became \$100 (came from $[\$97 - \$90 - \$6] \times 100$ shares)

By seeing the explanation above, it can be defined that the investors who owned the call option has the rights to choose the best way to deal with the option contract. And surely the contract owner will not use their rights if the maturity of stock price is lower than the strike price /exercise price (Driessen & Maenhout, 2007). In this situation commonly called as *out the money* position. Meanwhile, the owner of the contract will use their rights to execute the option contract if the maturity of stock price is bigger than the exercise price. This situation commonly called as *in the money* position. If the maturity of stock price is same as the exercise price, then it can be called that the option contract is on *at the money* position.

The other important thing that must be considered is when using the rights of an option contract towards its option price. Example, when the maturity of LQ45 index price is \$95. If investor using their right, they will suffer \$100 loss (from $[\$95 - \$90 - \$6] \times 100$ shares). That will be better than if the investor not using their right when they will \$600 loss (from $\$6 \times 100$ shares).

Figure 1 shows how potentially the investor's net profit or loss in certain of LQ 45 index price on call

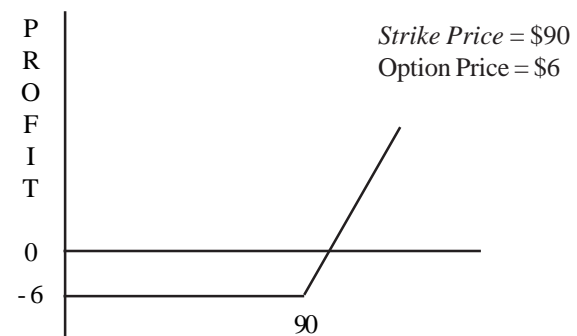


Figure 1
Profit from buying European call option
on LQ 45 index
 Source: Hull, John C., 2009:180.

option at maturity time.

Figure 1 explained about the position where the first time the investor suffered losses because of paying for the option price. But in the future the profit gained from this position is infinite (unlimited). The BEP situation happened when price is in \$90, and the profit gained will be increase and increase if the stock price in the future is above \$90. And then Figure 2 will shows how potential the variation of profit or loss that investor will be suffered in certain of LQ 45 index price on call option at maturity date for option's writer.

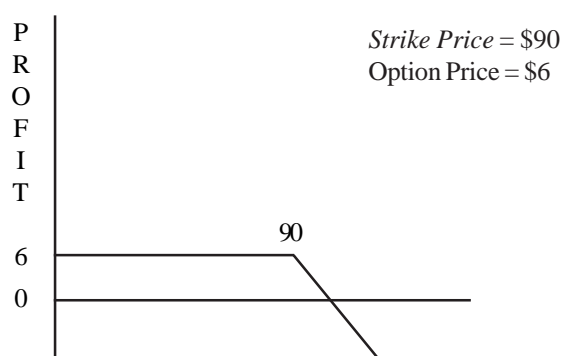


Figure 2
Profit from selling European call option
on LQ 45 index

Source: Hull, John C., 2009:18.

Figure 2 explained about the position where the investors gained profit for the option price only by the option's writer (short call option). But in the future the loss that will be suffered by investor is un-finite (unlimited). Thus by explanation from the illustrations above, can be assumed if the X is strike price and S_T is final price at maturity, so the payoff for *European option* is 1) $\text{Max}(S_T - X, 0)$ applied to long position in *European call option* and it reflects that the call option will be exercised if $S_T > X$ (*in the money* position) and will not be exercised if $S_T < X$ (*out of money* position) and 2) $\text{Min}(X - S_T, 0)$ or $-\text{max}(S_T - X, 0)$ applicable to short position in *European call option*.

Hull (2009) mentioned some strategies that can be used in implementing or combining a policy of the option contract. Each strategy has its own characteristic on risk and also the income. According to the description of the limitation problems that has been de-

scribed previously, this research will use the application of *butterfly spread with calls* strategy and will be compare it with the *condor spread with calls* strategy.

Kolb (2000) stated that butterfly spread strategy is a strategy that used three calls with the same period and also same stock. This strategy is performed by buying one calls with low exercise price, buy one calls with a high exercise price, and selling two calls with a medium exercise price (Han, 2008). *Butterfly strategy* on option contract usually used in situations after the index price moves volatile (moves significantly). After the volatile move of index price usually price will move in sideways position (the movement of stocks not fluctuate). In unfluctuactive price movements, the *Butterfly strategy* can be used because it will gain profit (Martellini *et al.*, 2002; Buraschi & Alexei, 2006).

In using this strategy, the contract holders will get something called as hedging, where when the long call is purchased suffered loss, the short call sold will bring profit, vice-versa. But the profit gained by contract holder will not be great. By the characteristic of this strategy that has been described above, *Butterfly spread with calls* strategy will involve the contract to use three calls with different strike price. And it will be described further through an illustration on application of *Butterfly spread with calls* strategy.

Table 1
Butterfly Spread with Calls

Strike price (\$)	Call price(\$)
556065	1075

Source: Hull, John C., (2009:226).

An investor will make an option contract by using *butterfly spread with calls* strategy for a period 6 months, then/so he will buy one call with strike price \$ 55 and option price \$ 10, buy one call with strike price \$ 65 and option price \$ 5, and selling two calls with strike price \$ 60 and option price \$ 7 (Lakonishok *et al.*, 2007). So the cost that will be spend to make the strategy is $\$ 10 + \$ 5 - (2 \times \$ 7) = \$ 1$.

Condor spread with calls strategy is an option strategy that involves four calls from the same underlying asset and also same expiration time. The execution of this strategy is done by buying one call with

low exercise price, sell one call with slightly high exercise price, sell one call with quite high exercise price, and buying one call with the most high of exercise price (Lakonishok *et al.*, 2007). The use of *Condor strategy* is almost the same as *Butterfly strategy*, which is used in a situation after the index price moves volatile (moves significantly). After the volatile moves of index usually will move in sideways position (the movements of stocks do fluctuate). So in the use of *Condor strategy* investors will expect the move of price is less volatile (un-fluctuation). So at that position, when the price falls or rises, investors will continue to have profit as long as the index value will remain on the profit area, or even suffered some loss when the price goes down those losses would not be too great/large (Han, 2008).

From the characteristic of strategy that has been explained, *Condor spread with calls* strategy involve the contract to use four different calls with different strike price. And it will be describe further through an illustration on application of *Condor spread with call* strategy (HSBC InvestDirect Securities, 2010).

Table 2
Condor Spread with Calls

Strike price (\$)	Call price(\$)
Long 1 call 90	10
Short 1 call 95	7
Short 1 call 100	4
Long 1 call 105	2

Source: Kolb, Robert W (2000, p.330).

Assuming that an investor will make an option contract by using *Condor spread with call* strategy, so he will buy one call with strike price \$ 90 and option price \$ 10, sell one call with strike price \$ 95 and option price \$ 7. And also sell one call with strike price \$100 and option price \$ 4, and buy one call with strike price \$ 105 and option price \$ 2. Then the cost that will be spend and also becomes maximum loss is \$ 1 (came from $(\$ 7 + \$ 4 - [\$ 10 + \$ 2])$).

Kolb & Overdahl (2003) stated that there are several factors will affect option price. The factors are current index, expiration time/expiration date, risk-free interest rate, and volatility of the stock price. Current index, payoff from call option can be defined as a dif-

ference between the stock price on expiration date and strike price (exercsice price). So the value of call option will be more valueable with the increase of stock price (current price) otherwise the value of call option becomes less valueable when the stock price is falling. Expiration time/expiration date, an addition to the value of call option will not be always equal to the addition or the increasing in the period of maturity time. It happens because during any period the holder of *European call option contract* will be only executed the option at maturity time.

The risk-free interest rate affects the price of an option. The risk-free interest rate usually obtained from the value of SBI (Sertifikat Bank Indonesia). By the increasing of interest rate in economy growth, the expected growth of the stock price tends to increase. Meanwhile the present value of any future cahs flows that received by the option holders will decrease. For the *call options* holders, the increasing of stock price will increase the value of *call option*, while the decreasing of present value of any future value cash flows will decrease the value of *call option*. However, the first effect dominates the second effect, thus increasing the risk-free interest rate will increase the value of call option. It should be emphasized that the statement above is based on the assumption that the others factors did not change. Because in practice, sometimes when the risk-free interest rate increases, then the stock price will tend to decline/decrease. Volatility of index price is a size of how uncertainties about the movement of index price in future. Volatility can also be interpreted as the standard deviation of the return value of the stock for a year that has been through the process of continuous compounding. With increasing of volatility, the possibility of index price will rise or fall will increase. So the *call option* price will tends to increase as well as the increase of volatility.

The formula to calculate the value of stock options, the model or formula is called as *Black-Scholes option pricing model*, was found through a process of mathematics reduction which is very complex with the underlying assumption which is will be described below, Hull (2009); 1) behavior of stock price follows a lognormal distribution μ and σ constant, 2) no tax expense and transaction costs, 3) during the age of option, 4) the index does not distribute dividends, 5) there is no chance to do arbitrage free-risk, 6) the activity of

buying and selling of shares takes place continuously, 7) the investor can lend or borrow money at the same risk-free interest rate, and 8) constant risk-free interest rate (r).

Black-Scholes Model produces a formula to evaluate a *call option* as below, Hull (2009):

$$c = S_0 N(d_1) - X e^{-rT} N(d_2)$$

$$d_1 = \frac{\ln(S_0/X) + (r + \sigma^2/2)T}{\sigma\sqrt{T}}$$

$$d_2 = \frac{\ln(S_0/X) + (r + \sigma^2/2)T}{\sigma\sqrt{T}} = d_1 - \sigma\sqrt{T}$$

Where:

S_0 = Stock price/current price

X = Strike price/exercise price

T = Maturity time

r = Risk-free interest rate

σ = Volatility of stock price

c = Value of *European call option*

$N(x)$ = Cumulative probability distribution to a variable which normally distributed with standard deviation = 1

It should be understood that r is the nominal of interest rate; the value of r must be greater than zero ($r > 0$).

Volatility estimation performed to determine the spread of value or the uncertainty of price on stock or index. There are two approaches to estimate the volatility which are *Historical volatility* and *estimated volatility*. *Historical volatility* is obtained from purely historical data, while the *estimated volatility* is obtained by simple linear regression model, so can obtain more accurate value of volatility.

In this research the estimation that will be used is using the *historical estimates* of volatility, based on the assumptions that the volatility which occurred in the past will continue to apply in the future. So in performing historical volatility required a sample of the index price movements at a certain period. Then the calculation is by calculating the rate of return from index which will be seen its movement, and then from the return value of the index is performed the conversion process become *continuously compounded*, after that the result of the conversions will be calculate the value

of standard deviation.

The rate of return on the index data can be daily, weekly, monthly or a certain time desired. For a daily rate of return, then what will be obtained is daily standard deviation. While the calculation of *Black-Scholes model* takes the annual standard deviation, from the daily standard deviation that has been obtained we performed the calculation process by doing multiplication of variance index with the number of day on index trading in a year, the number of day on Index trading in a year is approximately 252 days.

Another way to obtain the annual standard deviation from the daily standard deviation is by doing multiplication index standard deviation with $\sqrt{252}$. While in monthly rate of return, to obtain the required annual standard deviation in the *Black-Scholes model*, it is necessary to multiply variance of the index with number of trading months in a year, which is 12 months.

HI: There is a difference between performance of call option application from butterfly and condor strategy to return on investment in option contract.

Data population is secondary data. The required data depends on the object and on the identification problem that has been explained previously. Then, several samples are found from several sources based on the following several criteria; 1) stock price of LQ 45 issued between the year 2008 to 2010, 2) volatility of LQ 45 between the year 2007 to 209, and 3) data SBI issued between the year 2008 to 2010

Based on the title of the research, "Comparative Analysis of Call Option Applications Using Butterfly Strategy and Condor Strategy to Return on Investment in Option Contract of LQ 45 Period 2008 – 2010", the operational variable and the measurement will be described below on Table 3.

The data that used to be analyzed in this research is quantitative data with processing by calculation approach model, formula and appropriate mathematical function.

The calculation of call option is to find the value of profit or loss which will be obtained from a *call contract*. In *Long call*, a contract maker pays an *option price* (premium) for buying the right of *option* in the future. Profit or loss obtained from the calculation of price in maturity minus with price that we agreed when make contract, and the minus the option price (premium).the profit gained will goes unfinite, while

Table 3
Operational Variable and Measurements Scale

Variable	Definition of Variable	Indicators	Measurements	Scale
Call option price	The option price (premium) to obtain the right of an option	Option price (call premium)	Rupiah	Ratio
Current price	Index price of LQ 45 when when a contract was made	Index price when make a contract	Rupiah	Ratio
Strike price	Index price of LQ 45 when maturity time	Index price of maturity time	Rupiah	Ratio
Index volatility	Measurement of uncertainty index price movements in future	Standard deviation based on historical data or the level of index volatility	Percentage	Ratio
Period of the option	The maturity time that has been agreed when make a contract	1, 2, and 3 months	Time limit	Ratio
Free risk interest rate	The level of interest measured by using SBI	Sertifikat Bank Indonesia (SBI)	Percentage	Ratio

the maximum loss suffered only of option price (premium).

$$\Pi = S_r - (X + c)$$

Description:

Π = Profit or Loss

S_r = Price of maturity time

X = Price agreed

C = Option price (call premium)

Meanwhile on *Short call*, there is an obligation to sell *option* in future. Profit or loss came from option price (premium) plus the result of price in maturity mi-

nus price agreed on contract. In the position as the seller will produce maximum profit just of option price (premium), while the loss suffered will be on infinite number.

$$\Pi = c + (X - S_r)$$

Description

Π = Profit or Loss

S_r = Price of maturity time

X = Price agreed

C = Option price (call premium)

RESULTAND DISCUSSION

This study used 31 (thirty one) samples that consist of value movements from LQ45 index for 31 months starting from January 2008 until July 2010. The value used as the data of index price is the closing price of stock in the end of month. Meanwhile the sample points are determined from index value in first date of monthly index transactions in every month. Table 4 will shows data movements of LQ45 index in 3 years.

The risk-free interest rate includes in *Black-Scholes Model* formula to calculate the value of *Call Option*. The level of risk free rate that will be use is "Sertifikat Bank Indonesia" (SBI) for period of 1, 2 and 3 months in year 2008 – 2010. The risk-free interest rate affects the price of an option, where increase of risk-free rate usually makes *call option* value increased.

Historical volatility is the history of probability movements of index in previous year on the current year of research. The value of *historical volatility* is standard deviation of LQ45's value. Table 5 below will show the value of *historical volatility* from LQ45 index in 2007 - 2009.

Table 5
Historical volatility of LQ45 index in 2007 -2009

Year	Standard Deviation	Volatility
2007	0.0169	26.774%
2008	0.0296	47.048%
2009	0.0171	27.094%

Source: Research data.

Calculating *call option* using *butterfly strategy* needs three values of exercise price and three different value of *call option price (premi)*. Those three call option price come from three different, with assumption that investor expects maximum 5% increase from the index price agreed, those three different assumptions are 1) Lowest Exercise Price (X_1), 2) Highest Exercise Price (X_3) Middle Exercise Price (X_2), and 3) Lowest Exercise Price (X_1).

The lowest exercise price was applied with assumption that future index price will be same with the current index price ($S_0 = X$). The application of this assumption can be found from the example of index

Table 4
LQ45 Current Index Movements 2008 – 2010

No.	Date	Current index	No.	Date	Current index
1	02/01/2008	596.554	17	01/05/2009	342.783
2	01/02/2008	570.511	18	01/06/2009	391.064
3	03/03/2008	573.347	19	01/07/2009	400.125
4	01/04/2008	511.987	20	03/08/2009	458.634
5	02/05/2008	503.807	21	01/09/2009	452.726
6	01/07/2008	513.062	22	01/10/2009	486.452
7	01/08/2008	503.936	23	02/11/2009	465.719
8	01/09/2008	467.831	24	01/12/2009	484.828
9	01/09/2008	449.362	25	04/01/2010	507.914
10	06/10/2008	326.970	26	01/02/2010	504.938
11	03/11/2008	262.084	27	01/03/2010	497.195
12	01/12/2008	237.031	28	01/04/2010	550.38
13	05/01/2009	290.869	29	03/05/2010	572.532
14	02/02/2009	256.935	30	01/06/2010	527.276
15	02/03/2009	242.475	31	01/07/2010	558.358
16	01/04/2009	289.417			

Source: www.duniainvestasi.com

price in January 2008, where the index price of LQ45 in January was 596.554. So the value of the lowest exercise price (X_1) will be equal with current index price (S_0) which was 596.554. That value will be used as the exercise price to make *long call* contract.

The highest exercise price was applied with assumption that future index price will increase up to 5% from the current index price. For the example the index price of LQ45 in January 2008 was 596.554. So the highest exercise price (X_3) was $596.554 \times [1 + 5\%] = 626.382$. That value will be used as the exercise price to make *long call* contract.

Middle exercise price (X_2) was applied with the assumption that future index price will be placed between the highest and the lowest exercise price. The application of this assumption can be found from the example of LQ45 index price in January (596.554). The lowest exercise price (X_1) was 596.554 and the highest (X_3) was 626.382, so middle exercise price (X_2) was $(596.554 + 626.382) \times 0,5 = 611.468$. That value will be used as the exercise price to make *short call* contract.

The value of those exercise prices will define the call option price which has to be paid by the investors. *Exercise price* and *call option* have negative relationship where increase of exercise price will decrease the call option price and vice versa. But in condition that other variables are constant. After defining the strike price the researchers continue to calculate the call option price using *Black Scholes Option Price Model*, and the pay off calculation of long/short call (see appendix). From the pay off the investor will decide whether to execute the contract or not. There are several conditions from investor that decide to execute the contract, which are for long call positions and for short call positions. For long call positions, the investor will execute the contract if the number of pay off is greater than the call option price and the investor will not execute if the number of pay off is lower than the call option price. For short call positions, the investor will *execute* the contract if the number of pay off is lower than the call option price and the investor will *not execute* if the number of pay off is greater than the call option price.

This is the result from the return on investment (ROI) by using *butterfly strategy* which leads the investor to make the execution or not. The pay off will influence the investor to execute the contract or not.

The following is the explanation from each year within period of 1 month, 2 months, and 3 months.

Table 6 describes the return on investment in call option contract using *butterfly strategy* on LQ45 index within one month period in 2008 - 2010 by considering current index price and call option price.

Table 6
ROI for One Month Contract Option Using Butterfly Strategy on LQ45 in 2008-2010

Year	Profit/Loss
2008	-15.311
2009	6.459
2010	-5.590
Total	-14.442

Source: Research data.

The result of return on investment obtained from contract within one month period from 2008 till 2010 is -14.442 index points. It shows that the option contract in LQ45 index within one month period using *Butterfly Spread Strategy with Calls* in 2008 - 2010 made the investor suffer loss of 14.442 index points.

Table 7 describes the return on investment in call option contract using *butterfly strategy* on LQ45 index within two months period in 2008 - 2010 by considering current index price and call option price.

Table 7
ROI for Two Months Contract Option Using Butterfly Strategy on LQ45 in 2008-2010

Year	Profit/Loss
2008	-10.719
2009	8.147
2010	-7.931
Total	-10.502

Source: Research data.

The result of return on investment obtained from contract within two months period from 2008 till 2010 is -10.502 index points. It shows that the option contract in LQ45 index within one month period by using *But-*

terfly Spread Strategy with Calls in 2008 – 2010 made the investor experience loss of 10.502 index points.

Table 8 describes the return on investment in call option contract using *butterfly strategy* on LQ45 index within three months period in 2008 – 2010 by considering current index price and call option price.

Table 8
ROI for Three Months Contract Option Using Butterfly Strategy on LQ45 in 2008-2010

Year	Profit/Loss
2008	-4.298
2009	17.241
2010	15.216
Total	28.159

Source: Research data.

The result of return on investment obtained from contract within three months period from 2008 till 2010 is 28.159 index points. It shows that the option contract in LQ45 index within one month period by using *Butterfly Spread Strategy with Calls* in 2008 – 2010 made the investor gain profit of 28.159 index points.

Calculating *call option* using *condor strategy* needs four values of exercise price and four different value of *call option price (premi)*. Those four call option price come from four exercises price which are different from the assumption that investor expects the increasing of index price is 5% from the index price agreed, those four different assumptions are:

The lowest exercise price was applied with assumption that in future the index price will be same with the current index price ($S_0 = X$). The application of this assumption can be found from the example of index price in January 2008, where the index price of LQ45 in January was 596.554. So the value of lowest exercise price (X_1) will be equal with current index price (S_0) which is 596.554. That value will be used as the exercise price to make *long call* contract.

The slightly high exercise price was applied with assumption that in future the index price will increase up to 1,25% from the current index price. For the example the index price of LQ45 in January 2008 was 596.554. So the slightly high exercise price (X_2) is $596.554 \times [1 + 1,25\%] = 604.011$. That value will be used as the

exercise price to make *short call* contract.

The quite high exercise price was applied with assumption that in future the index price will increase up to 3,75% from the current index price. For the example the index price of LQ45 in January 2008 was 596.554. So the slightly high exercise price (X_3) is $596.554 \times [1 + 3,75\%] = 618.925$. That value will be used as the exercise price to make *short call* contract.

The highest exercise price was applied with assumption that in future the index price will increase up to 5% from the current index price. For the example the index price of LQ45 in January 2008 was 596.554. So the highest exercise price (X_3) is $596.554 \times [1 + 5\%] = 626.382$. That value will be used as the exercise price to make *long call* contract.

The value of those exercise prices will define the call option price has to be paid by the investors. Different with *Butterfly*, *Condor Strategy* is an option strategy that used four call option contracts. The steps are same and already explained in *butterfly strategy*, next table will show the profit/loss gained from the investor by executing the contract or not. In appendix show the call option price and the pay off that influence the investor make the execution or not.

This is the result from the return on investment (ROI) by using *condor strategy* which leads the investor to make the execution or not. The pay off (see appendix) will influence the investor to execute the contract or not. The following is the explanation from each year within period of 1 month, 2 months, and 3 months. Table 9 describes the return on investment in call option contract using *condor strategy* on LQ45 index within one month period in 2008 - 2010 by considering current index price and call option price.

Table 9
ROI for One Month Contract Option Using Condor Strategy on LQ45 in 2008-2010

Year	Profit/Loss
2008	-31.783
2009	4.273
2010	-2.835
Total	-30.345

Source: Research data.

The result of return on investment obtained from contract within one month period from 2008 till 2010 is -30.345 index points. It shows that the option contract in LQ45 index within one month period by using *Condor Spread Strategy with Calls* in 2008 – 2010 made the investor experience loss of 30.345 index points.

Table 10 describes the return on investment in call option contract using *condor strategy* on LQ45 index within two months period in 2008 - 2010 by considering current index price and call option price.

Table 10
ROI for Two Months Contract Option Using Condor Strategy on LQ45 in 2008-2010

Year	Profit/Loss
2008	-7.729
2009	5.571
2010	-5.943
Total	-8.101

Source: Research data.

The result of return on investment obtained from contract within one month period from 2008 till 2010 is -8.101 index points. It shows that the option contract in LQ45 index within two months period by using *Condor Spread Strategy with Calls* in 2008 – 2010 made the investor experienced loss of 8.101 index points.

Table 11 describes the return on investment in call option contract using *condor strategy* on LQ45 index within three months period in 2008 – 2010 by considering current index price and call option price.

Table 11
ROI for Three Months Contract Option Using Condor Strategy on LQ45 in 2008-2010

Year	Profit/Loss
2008	-0.894
2009	11.220
2010	9.166
Total	19.492

Source: Research data.

The result of return on investment was obtained from

contract within one month period from 2008 till 2010 is 19.492 index points. It shows that the option contract in LQ45 index within three months period by using *Condor Spread Strategy with Calls* in 2008 – 2010 made the investor gain profit for 19.492 index points.

CONCLUSION AND RECOMENDATION

This research focused on calculating ROI in LQ45 index by using two strategies *option contract* which were *Butterfly Spread with Calls Strategy* and *Condor Spread with Call Strategy*. This chapter will give some conclusions and recommendations based on the previous analysis.

Conclusion

The return on investment in option contract on LQ45 index within one, two, and three months in 2008 – 2010 by using *Butterfly Spread with Call Strategy* caused the investor loss for 14.442 in one month contract, loss for 10.512 in two months contract and profit for 28.159 in three months contract. The return on investment in option contract on LQ45 index within one, two, and three months in 2008 – 2010 by using *Condor Spread with Call Strategy* caused the investor loss for 30.345 in one month contract, loss for 8.101 in two months contract and profit for 19.492 in three months contract. Between *Butterfly Spread with Call Strategy* and *Condor Spread with Calls Strategy* there is a difference performance in terms gaining the return on investment (ROI). The best strategy based on the return on investment of option contract in LQ 45 2008 – 2010 was *Butterfly Spread with Call Strategy*.

Recomendation

If the investor is willing to invest in any other index with the same increasing of index value, where the low *exercise price* and high *exercise price* use the same value for both strategies, then the investor will be better using *Butterfly Spread with Call Strategy*. *Butterfly Spread with Call Strategy* and *Condor Spread with Call Strategy* are better to use when the condition of index movements is unfluctuactive (the movements is not too extreme), whether the condition of index itself is strong or weak. *Butterfly Spread with Call Strategy*

is better than *Condor Spread with Call Strategy* if the investor wants to invest option contract in *long* and *short* at the same time, because investing two *short calls* with the same exercise price will give advantage than investing two *short calls* with different exercise price. For further researchers it is possible to compare other application of strategy using different strategy, for example using *box strategy*, *bear and bull strategy* or the application of *ratio strategy*. And perhaps using different volatility approach by using applied *volatility*. Using another option type from this research by describing the application of *put option* using *Butterfly Strategy* and *Condor Strategy*.

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ORGANIZATIONAL CITIZENSHIP BEHAVIOR CREATES SOCIAL CAPITAL IN ORGANIZATION: CASES OF WOMEN EMPLOYEES

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ABSTRACT

In this paper we investigated whether or not the social capital of employees in banking industries in Indonesia have an impact on organizational citizenship behavior (OCB), using a sample of 531 women from branches of the bank industry located in big cities in Java, Indonesia. Bolino, Turnley, and Bloodgood (2002) argued that social capital may result from the willingness of employees to exceed their formal job requirements in order to help each other, to subordinate their individual interests for the good of the organization, and to take a genuine interest in the organization's activities and overall mission. In short, when a firm is composed of good organizational citizens, it is likely to accumulate higher levels of social capital. Based on their work, I examine that OCB enhance social capital. Specifically, altruism dimension of citizenship behaviors contribute to the creation of structural, relational, and cognitive forms of social capital.

Keywords: organizational citizenship behavior, social capital

JEL classification: D23, E24, J24

INTRODUCTION

Literatures reviews show that are very hard to establish the causal relationship between organizational citizenship behavior (OCB) and social capital. OCB can possess various roles in organization. One of the most important of them is creation and enhancement of social capital (Zarea, 2012). This can be said that OCB lead to social capital and social capital has relationship with OCB. The effects of OCB in recent years have increasingly received attention by researchers and scholars of organization and management field. One of them can be named as creation and enhancement of social capital. Just as the good citizen within an organization contribute the development of social capital within that organization. Good OCB is likely to be important for the creation of social capital within that organization. Researchers have suggested that OCB enhance organizational effectiveness because they lubricate the social machinery of the organization. Bolino, Turnley, and Bloodgood (2002) concluded that citizenship behavior led to development of relation and affective shared between the employees. OCB may have an important role in establishing relationships and OCB can help the organization to the forming the

social capital.

Social capital also led to OCB. Previous research indicates that social capital is an important resource because individual work together more effectively and efficiently when they know one another, understanding one another, and trust with one another (Bolino *et al.*, 2002). Social capital is also the source of increasing knowledge, retaining of organizational knowledge, making relations according to confidence, and feeling cooperation. Relationship between OCB and social capital is positive (Ebrahimi, Karimi, Zargar, Gholami, & Emadzadeh, 2013). According to Hitt, Lee, and Yucel (2002), social capital is one of the most interpersonal factors that impact on improving OCB. Social relations between people are the important factor for the formation of OCB. According to this approach, organizations are a set of resources which provide various capabilities for the organization which give organization an enduring competitive advantage against the competitors.

Organ said that consistent with the social exchange view of OCB, it is likely that individuals who know each other, who like, trust and identify with each other, and who understand one another will be more likely to behave in ways that support the groups' or organizational structure by engaging in OCB (Bolino *et al.*, 2002). Social capital as an organizational phenomenon has proved to be a powerful factor explaining several organizational concerns (Adler & Kwon, 2002), like cooperative behavior, solidarity benefits, higher levels of trust or diminishing the probability of opportunism (Cohen & Prusak, 2001). Research on social capital is very important today. Considering the feature of today world, increasing competitive advantage is absolute challenge of firms because more emphasis on natural resources and relative advantages may not lead to value creation. An organization that has social capital will benefit from a competitive advantage that can be surpassed competitors. Social close is also a close relationship between the individual and the organization with people outside the organization formed.

While interest in the effects of gender on OCB and social capital is growing, extant studies treat gender primarily as a variable and not as an analytical framework. Previous researchers tend to focus on the study of gender differences in OCB and social capital. A gen-

der perspective is adopted as many prominent authors in the field have ignored this important issue (Adler & Kwon, 2002 and Seibert, Kramer, & Liden, 2001). Previous articles have generated interest in investigating discrimination such that men and women are differentially rewarded in performance appraisals based on their participation in OCB (Kidder & McLean Parks, 2001). Women are expected to participate in certain dimensions of OCB, whereas men are expected to participate in others (Farrell & Finkelstein, 2007). Allen and Rush (2001) hypothesized that individuals perceive women to participate in OCB in general more frequently than men. Women were seen as more likely than men to engage in OCB. Researchers have suggested that employee gender may influence cooperative behavior. According to the gender socialization theory, women tend to be more relationship oriented (Cloninger, Ramamoorthy, & Flood, 2011). This study attempts to broaden existing gender by examining the relationship between social capital and OCB.

In this regard, the related theoretical foundations presented in the three dimensions social capital, five dimensions citizenship behavior, and explain the relationship between these variables, which provide the formation of research model. Then the hypothesis based on the model introduced and described the research methodology includes variables measurement tools, population and sample. My previous research proved that three dimensions of social capital did not influence OCB. In the previous research, women are expected to participate in certain dimensions of OCB, whereas men are expected to participate in others (Allen & Rush, 2001, Podsakoff, MacKenzie, Paine, & Bachrach, 2000). In this research, I examine that each dimension of OCB has positive relation and influence each dimension of social capital. Finally, I present the results and discussion.

MATERIALS AND METHODS

OCB is a unique aspect of individual activities in a workplace, however the activities are not formally required by their jobs, independent, and not explicitly and formally stated in work procedures and reward system. OCB is not one of the issues that have been considered by several researchers. One of the primary definitions that have been accepted by many research-

ers was proposed by Organ. Organ said that OCB includes optional behavior of employees that are not among their formal tasks and are not directly considered by formal reward system of the organization but increases its general competitiveness (Esfahani, Nourian, & Badya 2012). OCB improves organizational effectiveness and performance and helps the organization achieve its purposes.

Based on their review of theoretical and empirical OCB research, Podsakoff *et al.* (2000) conclude that citizenship behaviors most typically stem from positive job attitudes, task variables, and leadership behaviors. There has been very little theoretical work explaining why OCB is essential to the effective functioning of organizations and how OCB might ultimately relate to organizational performance. Researchers have suggested that citizenship behavior enhance organizational effectiveness because they “lubricate the social machinery of the organization”, a clear theoretical basis for making such claims is lacking.

OCB is complicated and multi-dimensional concepts. There is no agreement among the researchers regarding dimensions of OCB. Researchers have proposed a variety of specific dimensions of OCB including obedience, loyalty, advocacy participation, and social participation, and functional participation, helping and voice, organizational-focused and interpersonal-focused, interpersonal facilitation and job dedication, and interpersonal citizenship performance and organizational citizenship performance (Coleman & Borman, 2000). Organ believes that OCB has five areas, altruism, courtesy, sportsmanship, civic virtue, and generalized compliance or conscientiousness.

Altruism is helping behaviors by individual in order to help employees and connected with specific tasks and organizational issues. High altruism individual will help the others that their work is heavy and spend his time with high interest for helping the others for solve their problems. Courtesy indicates respectful behaviors that avoid creating the problem and difficulty in the workplace. An individual tries to avoid create problems to colleagues or will consult with others before doing action. Sportsmanship is behavior that prevents the high creak in the workplace. A person doesn't spend a lot of time for significant issues and will never search for organization fault. Civic virtue is behavior that indicates the persons' responsible par-

ticipation related to organization activities. Generalized compliance or conscientiousness is behavior guidance the individual for doing their duties in somewhat higher than expected levels.

Some organizations show that OCB could create an environment that can inspire employees to achieve high levels of social capital. The World Bank defines social capital as the norms and social relations embedded in social structures that enable people to coordinate action and to achieve desired goals (Cohen & Prusak, 2001). Over the last ten years reviewers of social capital research and theories have observed no emerging agreement on a precise definition of social capital. Cohen and Prusak (2001) state that social capital consists of the stock of active connections among people, that is the trust, mutual understanding, and shared values and behaviors that bound the members of human networks and communities and make cooperative action possible.

The concept of social capital is being utilized increasingly as a tool for understanding the social relations that underlie effective social systems, including workplaces (Hudson, 2005). In general, social capital theory explores the benefits and costs derived from social ties and relationships. Social capital concerns social structures such as networking and ties and their associated norms and values as they affect the firm and its performance (Chisholm & Nielsen, 2009). Social capital is a concept that is notoriously difficult to define and operationalize. When social capital are broadly viewed in terms of what they are comprised of, it may be concluded that social capital theory is a relevant term to human resource development at the macro, meso, and micro level (Akdere, 2005). This research use social capital term at micro level. At micro level, social capital emphasis the individual's ability to mobilize resources through local network institution such as community-based organizations, extended families, and social organizations (Akdere, 2005). Akdere (2005) said that in organizations, micro level social capital refers to recognition, cooperation, and personal trust, solidarity, loyalty, reputation, and access to sensible information.

Social capital is considered as ability of persons for relation between them. Social capital is seen as having beneficial effects on factors such as inter firm resource exchange, creation of new intellectual

capital, collective goal orientation and shared trust, and OCB (Bolino *et al.*, 2002). Social capital is the sum of the active and potential resources that social actors can mobilize for achieving their goals and that are available to actors because of their social relationship with others (Kostova & Roth, 2003). Adler and Kwon (2002) noted that social capital represents a long term assets that can be invested in with the expectation of a future but certain flow of benefits. Although the definition of social capital is vary in different scientific, but the important component of all definitions is have a relationship especially the relationship between individual (Hitt *et al.*, 2002). Social capital is defined as valuable capital which can be made by achieving to the social relationships.

Social Capital is also complicated and multi-dimensional concepts. Bourdieu suggests that social capital is expressed by the size of the group or network and the volume of capital possessed by the members of the network (Zarea, 2012). There are three specific aspects of social capital: a structural dimension, a relational dimension, and a cognitive dimension. A structural dimension of social capital involves examination of the extent to which individuals in an organization connected, description of the patterns of connection among employees, and examination of the usefulness of such connection across contexts. Structural dimension of social capital concerns the overall patterns of relationships and in organizations. The structural dimension focuses on whether employees are connected at all. A relational dimension of social capital describes liking, trust, and identification among individuals in an organization. The relational dimension of social capital concerns the nature of the connections between individuals in an organization. The relational dimension focuses on the quality or nature of those connections. A cognitive dimension of social capital concerns the agreement to which employees possess a common language and share narratives. The cognitive dimension concerns the extent to which employees within social networks share a common perspective or understanding. The cognitive dimension concerns the nature of the connections between individuals in an organization.

Social capital is a set of social resources that is created through personal interactions and social networks that create values and facilitate persons' activi-

ties. Social capital is an attribute of individual and their relationships that enhances their ability to solve collective action problems. Social capital is the goodwill available to individuals or groups. Putnam argues that communities with high levels of social capital are typically characterized by high levels of civic participation among its citizens (Bolino, Bloodgood, & Turnley, 2001).

Few researchers have actually sought to untangle the causal relationship between OCB and other variables such as social capital, but it is unclear whether such variable is actually antecedents or consequences of OCB. According to the resource based perspective, successful organizations have unique capabilities or resources that give them an advantage over their competitors (Bolino *et al.*, 2002). The development of social capital within organization is likely to be a source of competitive advantage for a firm. OCB can be influence on the kinds of dimensions of social capital and be improved of organization's function.

Behaviors such as citizenship behaviors can improve social capital in organization. In other words, just as the "good citizens" within a community contribute to the development of social capital within that community, "good organizational citizens" or "good soldiers" are likely to be important for the creation of social capital within their organizations. Social capital may result from the willingness of employees to exceed their formal job requirements in order to help each other, to subordinate their individual interests for the good of the organization, and to take a genuine interest in the organization's activities and overall mission (Bolino *et al.*, 2001). When a firm is comprised of good organizational citizens it is likely to accumulate higher levels of social capital. OCB assists the creation, development and maintenance social capital within organization.

Structural dimension of social capital includes of the relationships between structural. OCB has the capacity to bring people in ways that are likely to increase the number of ties among individuals in an organization, to alter the configuration of connections and contracts within an organization in important ways, and to facilitate the development of contract between individuals in some settings that may ultimately prove useful in other contexts (Bolino *et al.*, 2002). Specific citizenship behaviors are likely to en-

courage the creation of structural aspects of social capital. That is, certain types of OCB facilitate the establishment of links and connections between different individuals in the organization. OCB that encourages establishment of contact between employees can develop the structural aspects of social capital

Relational dimension is related to the confidence, friendship, and mutual relationship with deployment of cooperation. OCB plays an important role in infusing the connections among employee with an affective component. When individuals go beyond their role requirements, they likely help produce a workforce of employees who like one another, trust one another, and identify with one another (Bolino *et al.*, 2002). Citizenship behaviors are likely to be especially important in contributing to the relational dimension of social capital. Several different types of OCB are likely to contribute to the development of trust, norms, mutual obligations and expectations, and identification among employees in organizations (Bolino *et al.*, 2001). OCB can enhance the relational aspects of social capital by encouraging others to love and trust.

Cognition dimension is the symbol of the shared meanings and the mutual understanding factors. The ability of individuals in organizations to understand one another is enhanced through OCB. Good citizenship increases the likelihood that a common language will develop among employees and that organizational members will share myths, stories, and metaphors (Bolino *et al.*, 2002). Citizenship behaviors provide increased opportunities for organization members to share languages and narratives. This research suggests that specific citizenship behaviors are likely to build cognitive social capital among organizational members.

Lin classified capital in organization into two main types: human capital and social capital (Broadbridge, 2010). Human capital consists of resources possessed by the individual such as education, training, and experience. Social capital is the ability of people to acquire benefits through their membership in social networks or other social structures and the reputation they have because of their connections. Social capital is the contextual complement to human capital in explaining advantage. Organ discussed the citizenship behaviors may have an important role in establishing relationships, so citizenship behaviors can

help the organization to the forming the social capital (Keldbari, 2011). Based on the propositions in Bolino *et al.* (2002), Bolino *et al.* (2001), and using guidelines stated above, the hypothesis of this study is:

- H1:** Altruism, courtesy, sportsmanship, civic virtue, and generalized compliance are positively related to structural social capital in organizations.
- H2:** Altruism, courtesy, sportsmanship, civic virtue, and generalized compliance are positively related to relational social capital in organizations.
- H3:** Altruism, courtesy, sportsmanship, civic virtue, and generalized compliance are positively related to cognitive social capital in organizations.

Men and women may enter an organization with similar levels of human capital. However, their success will not be determined by human capital alone. Previous research indicates that women achieve greater success in an environment with more information sharing and closer relationships while men succeed in an entrepreneurial network with less constraint and more opportunity to broker power and information (Timberlake, 2005). Good behavior like higher level of OCB contributes to the build up of social capital (Timberlake, 2005).

In recent years, the issue of competitive advantage in companies has been considered specially. The current business environment is very different from the past and the competition has a special role. Banking is one of the many service industries and is changing. Forty percent of customers have changed their financial institution (banks) in the United States because service quality in banking as a route to competitive advantage and profitability of banks is difficult (Gilania, Ganjinia, & Ghobadi, 2012). The same cases in Indonesia, customer changed their banks because of service quality, price or interest rate of that banks, and uncomfortable of that banks. Bank's tellers are traditionally female sectors because the job as tellers that need high concentration and carefulness. Men and women who works in male sectors exhibit lower level of social capital, measured in terms of trust, community engagement, and social networks (Sapleton, 2009). Women who work in traditionally female sectors such as personal services are found to have highest levels of social capital. Men and women are equally aware of the importance of accumulating social capital factors.

Gender socialization and social role theory suggests that women are inherently more relationship-oriented than success-oriented and may engage in greater OCB than men (Cloninger *et al.*, 2011). More women than men appear to have an internalized care orientation that make them more concerned with human welfare (Bampton & MacLagan, 2009). Under certain conditions such as traditionally female sector characteristics, evidence suggests women may tend to engage in more cooperative behaviors than men. Some researchers have suggested that women may be more sensitive to expectations for citizenship behaviors, even if engaging in such behaviors requires a lot of effort on their part (Vigoda-Gadot, 2007).

This research focuses on OCB and social capital of women employee of industrial banking in Indonesia. The sample is composed of 531 women tellers of banking industries in big cities in Java such as Jakarta, Bogor, Bandung, Semarang, Yogyakarta, Surakarta, Kudus, Surabaya, and Malang. After deciding the research locations, based on the data taken from Data Department of The Information and Clearance of Indonesian Central Bank in Jakarta, general bank branches are chosen. Tellers throughout the banking industries in Indonesia, especially in 9 big cities in Java received per-and-paper surveys. All of tellers in this research are women. Data were collected by holding with supervisor (head teller) of each banking branch office and asking their subordinate (teller) to fill out the questionnaire. If tellers needed more time, they took them home. The completed forms were returned directly to the researchers in self-addressed, stamped envelopes. Respondents were assured of anonymity and their responses were confidential. All employees completed the survey during the working hours.

This research uses questionnaires that are developed by some previous researchers by translating from and retranslating it to the original language. Each respondent in this study was required to complete two measures: OCB and social capital. OCB and social capital were measured using a scale developed by previous researchers. Questionnaires on the OCB are taken from those developed by previous researchers, such as Vey and Campbell (2004). The OCB scale contains 37 items and uses a five point response format.

Social capital variables used questionnaires developed by Chua (2002), Bolino *et al.* (2002), and Inkpen

and Tsang (2005). The social capital scale contains 18 items and also used a five point response format. Most OCB research is cross sectional rather than longitudinal or experimental, so it is almost impossible to determine conclusively the direction of causality between OCB and its correlates.

RESULT AND DISCUSSION

To assess the validity of the measurement items of all variables, content validity and construct validity check was carried out. Content validity that is used to assess for the measurement instruments was done in the pre-test stage by soliciting the expert opinion of professor from university who are research specialists in quantitative methodology and organizational behavior disciplines, especially for OCB and social capital topics. I used factor analysis to check the construct validity. Factor extraction was executed for five factors of OCB and three factors of social capital. To further simplify the interpretation and seek a simpler structure, the orthogonal technique and the varimax rotation was then performed. The varimax rotated principal component factor revealed five structure factors of OCB and three structure factors of social capital. The factor loading recorded loading is above 0.50. Given all the items extracted were recorded above 0.50. With varimax rotation and factor loading 0.50 as suggested by Hair, Black, Babin, Anderson, and Tatham (2006) the result of construct validity testing are practically significant.

To assess the reliability of the measurement items of all variables, an internal consistency check was carried out. The Cronbach's alpha from the test yielded a record of 0.7494 for altruism, 0.7222 for courtesy, 0.7590 for sportsmanship, 0.6765 for civic virtue, and 0.7208 for generalized compliance. Social capital variables have three dimensions. The Cronbach's alpha from the test yielded a record of 0.8220 for structural dimension, 0.7168 for relational dimension, and 0.8126 for cognitive dimension. The Cronbach's alpha from the test yielded is above the cut-off line of reliability as recommended by Hair *et al.* (2006).

I choose only women as respondents of this research. This choice is based on the previous research about different characteristics between men and women. Women's experience of organizational practices and norms are offer different from men's. Based

on my previous research, women have higher affiliation motive than men. Inter correlations among variables of this study are provided in Table 1. Inter correlations among five dimensions of OCB and among three dimensions of social capital is positively significant. Inter correlations as shown in the Table 1 indicate the positively significant relationship between OCB and social capital. All of the obtained correlations are not very strong. The greatest correlation coefficient is between relational dimension of social capital and cognitive dimension of social capital. The least correlation coefficient is between courtesy and relational dimension of social capital. Correlations between each dimension of OCB and each dimension of social capital are not strong. It can be claimed that in general, the relationship between these two variables of the research is accepted but this relationship is not strong. Table 1 provides descriptive statistics for the study variables. Results shown in Table 1 provide initial evidence of the positive associations suggested in our hypotheses. The coefficient and critical ratio for each dependent constructs are shown in Table 2.

Structural Equation Models in the present study were designed and tested using AMOS 4.0 software (Byrne, 2001). The structural model was specified by allowing the individual items of each measure to load on a latent factor. I first conducted a dimension-level confirmatory factor analysis (CFA) that included all

measures to assess the relationship between the latent variables and the manifest items that served as their indicators. Results showed that the hypothesized seven-factor model fit the data well ($\chi^2 = 714.905$; $df = 335$; $p = .000$; $GFI = 0.912$; $AGFI = 0.893$; $CFI = 0.911$; $RMR = 0.026$; $RMSEA = 0.046$ for hypothesis 1; $\chi^2 = 683.988$; $df = 335$; $p = .000$; $GFI = 0.917$; $AGFI = 0.900$; $CFI = 0.907$; $RMR = 0.026$; $RMSEA = 0.046$ for hypothesis 2 and $\chi^2 = 645.804$; $df = 335$; $p = 0.000$; $GFI = 0.919$; $AGFI = 0.902$; $CFI = 0.927$; $RMR = 0.026$; $RMSEA = 0.046$ for hypothesis 3). Inspection of factor loadings and factor covariances showed that all factor loadings were significant (standardized loadings ranging from 0.503 to 0.875), providing evidence for convergent validity. As indicated above.

The findings of this research show that structural dimension of social capital is affected by altruism, courtesy, and civic virtue significantly. Relational dimension of social capital is only affected by altruism dimension of OCB significantly. Cognitive dimension of social capital is also affected by altruism dimension of OCB significantly. All of dimensions of OCB (altruism, courtesy, sportsmanship, civic virtue, and generalized compliance) have weak relation to all dimensions of social capital. These findings indicate that H1, H2, and H3 is partially supported.

The findings of this research as show on the Table 1 indicate the significant relationship between

Table 1
Means, Standard Deviations, and Inter Correlations among Variables of This Study

	<i>Mean</i>	<i>SD</i>	1	2	3	4	5	6	7	8
Altruism	3.6051	0.5984	1.000	0.201**	0.282**	0.433**	0.250**	0.275**	0.219**	0.276**
Courtesy	4.7126	0.4118		1.000	0.438**	0.195**	0.399**	0.202**	0.117**	0.202**
Sportsmanship	4.4045	0.4497			1.000	0.356**	0.454**	0.229**	0.168**	0.223**
Civic Virtue	3.4266	0.6593				1.000	0.277*	0.258**	0.152**	0.235**
Generalized Compliance	4.5932	0.4223					1.000	0.223**	0.135**	0.174**
Structural Social Capital	4.2294	0.4020						1.000	0.441**	0.566**
Relational Social Capital	3.7495	0.4933							1.000	0.583**
Cognitive Social Capital	4.0712	0.4182								1.000

Notes: correlation is significant at the 0.01 level (2-tailed).

Table 2
Hypothesis Testing Result

Hypothesis		Path	Path Coefficient	Critical Ratio
H1 $\chi^2 = 714.905$ GFI=0.912 CFI=0.911 RMR=0.026	D.f.= 335 AGFI=0.893 p=0.000 RMSEA=0.046	Altruism → Structural Social Capital	0.186	2.358**
		Courtesy → Structural Social Capital	0.147	2.012**
		Sportsmanship → Structural Social Capital	0.047	0.736
		Civic Virtue → Relational Social Capital	0.158	1.99**
		Gene. Compliance → Structural Social Capital	0.018	0.243
H2 $\chi^2 = 683.988$ GFI=0.917 CFI=0.907 RMR=0.029	D.f.= 335 AGFI=0.900 p=0.000 RMSEA=0.044	Altruism → Relational Social Capital	0.246	2.756**
		Courtesy → Relational Social Capital	0.033	0.420
		Sportsmanship → Relational Social Capital	0.059	0.822
		Civic Virtue → Relational Social Capital	0.031	0.345
		Gene. Compliance → Relational Social Capital	0.021	0.251
H3 $\chi^2 = 645.804$ GFI=0.919 CFI=0.927 RMR=0.026	D.f.= 335 AGFI=0.902 p=0.000 RMSEA=0.042	Altruism → Cognitive Social Capital	0.218	2.749**
		Courtesy → Cognitive Social Capital	0.122	1.757
		Sportsmanship → Cognitive Social Capital	0.063	0.997
		Civic Virtue → Cognitive Social Capital	0.136	1.662
		Gene. Compliance → Cognitive Social Capital	-0.017	-0.235

five dimensions of OCB and three dimensions of social capital, but all of the obtained correlations are weak. Correlations of each dimensions of OCB and each dimensions of social capital are positively significant. These results indicate that OCB and social capital have reflective form of construct. In a Reflective model (Edwards and Bagozzi, 2000), the construct is viewed as the cause and the measures or indicators its manifestations. In a Formative model, the indicators determine or cause the construct (Edwards and Bagozzi, 2000). Characteristics of reflective models are: (1) measures expected to be correlated and should possess internal consistency reliability; (2) dropping an indicator from the measurement model does not alter the meaning of the construct (Jarvis, MacKenzie, Podsakoff, 2003). Other characteristics of reflective measures are: (1) if the measures are manifestations of the construct in the sense that they are each determined by it, a reflective-indicator model is appropriate; (2) if the measures are reflective, they should share a strong common theme, and each of them should capture the essence of the domain of the construct; (3) a reflective-indicator measurement model explicitly predicts that

the measures should be strongly correlated with each other because they share a common cause ; and (4) reflective indicators of a construct should all have the same antecedents and consequences because they all reflect the same underlying construct and are supposed to be conceptually interchangeable (MacKenzie, Podsakoff, & Jarvis, 2005).

The finding of this research shows that there are correlations among three dimensions of social capital. Various dimension of social capital are not mutually exclusive and, in fact, there are inter related (Liao & Welsch, 2005). Structural dimension of social capital considers general model of relations that are found in organizations. It means, this dimension includes amount of relations that people make in this organization with each other. Structural dimension of social capital in the micro level of social capital includes existing links or relationships in the network, desire to make the relationship with other person or make the network each other. Generally, structural dimension of social capital contains testing relationship of individual in organization. According to McFadyen and Canella (2004), structural dimension of social capital covers closeness and

the existence of relations between the members both directly or indirectly. The structural dimensions of social capital focus more on the strength of social relations and relation models (Seibert *et al.*, 2001). Altruism, courtesy, and civic virtue affect structural dimension of social capital. Individual with higher altruism, higher courtesy, and higher civic virtue will has higher structural dimension of social capital in organization.

The relational dimension of social capital refers to the characteristics and the quality between members based on trust, reciprocity, obligations, and group identification. Relational dimension covers individual exchanges, colleagues who know each other and discuss things together, sharing common language, norms, experience, obligation, and hopes (McFadyen & Canella, 2004). Relational dimension of social capital illustrate the types and characteristics of personal relations based on trust, which is in accordance with the social exchange theory. Altruism affects relational dimension of social capital. Individual with higher altruism will has higher relational dimension of social capital in organization. The cognitive dimension of social capital is the members' shared understanding and perceptions of the organization transmitted through shared language, codes, and shared narratives. The cognitive dimension of social capital also shows accessibility, distribution, interpretation, and denotation. Workers want to do something which is not their obligation if they understand each other. Altruism affects cognitive dimension of social capital. Individual with higher altruism will has higher cognitive dimension of social capital in organization.

Based on this research, I suggest that OCB, especially altruism dimension play important role in the development of social capital in organization. Specifically, altruism dimension of OCB contributes the creation of the structural, relational, and cognitive dimension of social capital. Altruism dimension of OCB involves attitudes and behavior that are related to helping other workers overcome the problems they encounter and contribute voluntarily to their performances and activities in an organization. When employee voluntarily helps another employee complete his/ her work and succeed in an activity and he/ she do not wish an overcome, that is altruism. These behaviors that are intended to increase the performance of colleagues, increase relationship between organizational members

such as communication, increase quality of that relation, trust, cooperation, shared language, and shared values.

Altruism also contributes to group efficiency and contributes to organizational performance on the whole. In previous research, scholars have proposed that OCB enhance organizational effectiveness because they "lubricate the social machinery of the organization". Altruistic behaviors can become an opportunity to form a personal relationship with strangers and strengthen the social relationship among colleagues. As result of this research, altruism may impact the structural aspect of social capital in an organization. Altruistic behaviors enhance the quality of personal relationships among members of an organization and provide an opportunity for members to develop that relationship. As result of this research, altruistic behaviors have a positive impact on relational dimension of social capital. Altruistic behaviors can also build the similarity in language, expressions, and values among organizational members. Cognitive social capital is built on structural social capital that needs the existence of task interdependence.

Civic virtue is the behaviors that are intended to protect the benefit of the organization at greatest level. Civic virtue refers to the highest level of active and involves voluntary participation in the organization. Civic virtue also reflects a situation where commitment and interest in the organization is at the highest level. Voluntary activities such as social activities in organization can be shown as an example of the civic virtue dimension of OCB. Individual participation in all activities in organization can enhance relations among members in organization. Civic virtue is a willingness to voluntarily attend and actively participate in meetings and support coordination among organizational members. This research result shows that civic virtue has a positive influence on structural dimension of social capital.

Courtesy involves the conscious behaviors of the employees that are preventive against the problems that may arise in the organization. Employees must act thoughtfully and carefully before performing actions that will affect the work. Employee must determine the problematic points beforehand and make the necessary efforts for resolution. Courtesy contributes the development awareness among employees, and has

effect on establishing the positive communication necessary for cooperation. Courtesy also involves behaviors that are intended to prevent organizational problems. Courtesy provides a possibility for organizational members to make relation with each other more effectively and to share social network, to use common language, to share their knowledge, and to exchange their ideas. In short, courtesy can increase the likelihood that a common language will develop among employees. Courtesy may serve as effective means of coordinating activities between organizational members and help members maintain good relationships.

Citizenship behaviors that encourage the establishment of contact between employees can develop the structural aspect of social capital. OCB can enhance the communication aspects of social capital by encouraging others to love and trust. The role behaviors or OCB that doing voluntary and does not exist formal requirement for its implementation, probably plays an important role in cross-organizational relation. Therefore, OCB will help to making social capital (Chow, 2009). Sociologists investigating social capital have stressed how good citizenship is important for building social capital within organization.

CONCLUSION

As Organ discusses, citizenship behaviors are likely to play an important role in building relationships with others (Bolino *et al.*, 2002). Consistent with this idea, the findings of this research suggests that OCBs contribute to social capital in organizations. OCB plays a critical role in facilitating the effective functioning of organizations. The results of these few empirical studies tend to provide some support for the idea that OCBs are related to social capital. Consistent with a resource-based view of the firm, and using the concept of social capital, this paper suggests that OCBs build social capital in organizations. This research result suggests that individual-level behaviors are critical for the development of social capital on altruism, courtesy, and civic virtue dimensions. This research result illustrates how good citizenship on the part of employees working in organizations is important for building organizational social capital. The present study has several limitations. Limitation of this study is the small sample size of method respondents may limit the generalizability

of my results. My research is relied on self-reported data. The exclusive use of self-reported data may create the potential for common-method bias, even when applying several procedures in order to reduce method biases. Using multiple measures for the variables would alleviate some of these concerns. My respondents came from a variety of organizations as opposed to a sample drawn from a single organization. Organizational differences may have cultural differences that affect OCB and social capital in organization.

Consistent with a resource-based view of the firm and using the concept of social capital, this finding suggest that OCB build social capital which in turn may contributes to the effective functioning of organizations. Just as the good citizens within an organization is likely to be important for the creation social capital within their organizations. Social capital may result from the willingness of employees to exceed their formal job requirements in order to help each other. When a firm is comprised a good OCB, it is likely to accumulate higher level of social capital.

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CORPORATE REPORTING SUPPLY CHAINS (CRSC) AND BUSINESS INFORMATION TRANSPARENCY

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ABSTRACT

This study aims to test whether the components of corporate reporting supply chains (CRSC) support the increased of information business transparency. This study examined the role of three parties in the CRSC to improve the transparency of corporate information, such as the owners, auditors, and management. Research sampel was selected by purposive method. Total study sample was 189 companies that consist of 92 companies for mandatory disclosure and 97 companies for voluntary disclosure. These results indicate that foreign institution owners are more interested in the voluntary disclosure, and the public owners interested in mandatory and voluntary disclosure. Management plays an important role to decrease the disobedience mandatory disclosure. Institutional owners plays an important role in the increase in mandatory and voluntary disclosure. Foreign instution owners more interested in voluntary disclosure. The results of this study has shown auditor or an accounting firm is not the only party responsible for improving the quality and transparency of business information. Transparency of information is the joint responsible of all parties involved in the corporate reporting supply chains (CRSC).

Keywords: corporate reporting supply chain, corporate governance, public trust, transparency.

JEL classification: G34, O16, M14

INTRODUCTION

Most of the stakeholder's are beyond the company and make economic decisions using financial statements resulting from the reporting system. Reliable financial reporting can increase public's trust. Public's trust will increase the capital flows into the company. To ensure that the information provided by companies are reliable, *corporate reporting supply chain* (CRSC) should be evaluated. CRSC is all the components involved in the financial reporting system, namely company executives, board of directors of the independent auditors, financial analysts, standard setter, and the user, such as investors and creditors. Transparency must be balanced with the company's commitment to increase accountability and integrity of the parties involved in the *corporate reporting supply chains* (CRSC).

Most of public agree that public accountants and public accounting firms (*firms*) more responsible for the quality and transparency of business information. In fact transparency quality of a company's information is a series of corporate governance of all parties involved in the CRSC. Not all components of the CRSC will be examined in this study. This study is aimed at investigating whether auditor's reputation, good management, and ownership characteristics (public, institutions, and foreign institutions) affect the transparency of company's business information.

MATERIALS AND METHODS

Most of the companies listed on the Indonesia Stock Exchange audited by local firm that affiliated with Big4 firm (KAPAF). KAPAF generally consist of the large accounting firm in Indonesia. The quality of KAPAF should be similar to firm that affiliated to it. KAPAF will also face a *collateral effect*, meaning that it may lose a few clients when it failed to report the deviation in its financial statements. Big4 firm is seen as a firm with highly reputable big name (Krishnamurthy *et al.*, 2006). Reputation will be an important factor when there is a potential agency problems and high information asymmetry (Hakim and Omri, 2009). Big accounting firm in general have large clients as well. KAP with relatively large quantities of audit client's will have a higher loss when it did not report the detected deviation from the client's financial statements (Krishnamurthy *et al.*, 2006).

Large accounting firm tends to give an accurate signal about the business bankruptcy in its audit opinion. The audited earnings report by the large firm generate higher perceived by investors in capital markets. The Big8 firm's financial statements generate a higher *earnings response coefficient* (ERC) than the NonBig8 firm. Highly reputable firm is a firm that has capable in high-quality audit (Barbadillo *et al.*, 2009), as well as maintaining a good reputation when there is a regulation or no regulation. Auditors take costly actions to protect their litigation reputation (McCracken, 2003). However, the research in Indonesia showed different results. The ERC are no different when it audited by big or small public accounting firms (Riyatno, 2004). KAPAF is one of business information disclosure keeper. Results of studies have shown that audit effectiveness is the one function of firm's characteristics. The clients of industry specialist auditors have lower discretionary accrual (DAC) and higher ERC than clients of nonspecialist auditors (Balsam *et al.*, 2003). This finding is consistent with clients of industry specialists having higher earnings quality than clients of nonspecialists. The study result showed that there was a positive relationship between firm's reputation with *earnings response coefficient* (ERC). If the auditor's reputation is positively related to financial reporting quality, reputable auditor should be encourage the creation of transparency of information. KAPAF is more

responsible to the mandatory disclosure because it is set by the accounting standards and by the regulations. However, it can not encourage a voluntary disclosure because the disclosure of voluntary information is dependent on the interests of management. Based on the above description can be arranged alternative hypothesis as follows:

- H1.:**
- Firms affiliated with Big4 firm had a negative effect on the level of mandatory disclosure disobedience.
 - The level of voluntary disclosure will increase when the financial statements audited by firm that affiliated with Big4 firm.

Ownership characteristics is effected on the level of disclosure of business proprietary's information. There are two important factors that promote good corporate governance, namely the proportion of independent board members and institutional ownership (Ajinkya *et al.*, 2005). These two things are related to the management's propensity to publish the information predictions.

Ownership structure is one of the important characteristics of *corporate governance* (Dong dan Zhang, 2008). Centralized ownership is a characteristic of companies that listed on the Indonesia Stock Exchange (IDX) (Khomsiyah, 2005). These situation is beneficial to the majority owner. This problem can be minimized by increasing stock ownership by the public. However, dispersed shareholding (public) can strengthen the position of manager as the dominant party in the company (Khomsiyah, 2005).

A centralized corporate ownership have negative effect on voluntary disclosure (Lakhal, 2005). This is because the centralized owner less open and the possibility of expropriation to the noncontrol owners. Hapsoro's Research (2005) showed that the proportion of management ownership, the proportion of domestic institutional ownership, the proportion of foreign institutional ownership have a significant effect on the level of transparency financial statements. Therefore, alternative hypotheses that can be developed from the above description as follows:

- H2.1 :**
- The more dispersed corporate ownership (public) the lower the level of mandatory disclosure disobedience.
 - The more dispersed corporate ownership (public) the higher the level of voluntary dis-

closure.

Institutional ownership encourages management to produce high performance. When the ownership of the company dispersed, the dominance of managers will increase. Domination of manager in the company can be reduced through the ownership by the institution. Institutional owners have a wider knowledge and its encourage management to provide more and reliable information. Ownership by institutions can increase the voluntary earning's information disclosure, especially foreign institutions in France (Lakhal, 2005). The alternative hypothesis that can be developed from the above description as follows:

H2.2: a. The higher company ownership by the institution the lower the disobedience of mandatory disclosure.

b. The higher company ownership by the institution the higher voluntary disclosure.

H2.3: a. The higher company ownership by a foreign institution the lower the level of mandatory disclosure disobedience.

b. The higher company ownership by a foreign institution the higher the level of voluntary disclosure.

Information transparency is a matter of management goodwill to convey important information to the investors and other stakeholders. This study found that the top executives uses an unique and significant economically effect in the company's voluntary dis-

closure (Bamber *et al.*, 2010). A good management should have increase the transparency of information. Management tends to reveal the higher information when in high performance.

The proponent of voluntary disclosure support concept that managers have incentives to disclose additional information to differentiate their firms from other unsuccessful and inefficiently run firms (Dhaliwal *et al.*, 2011; Graham *et al.*, 2005). Disclosure of Report of Management's Responsibility (RMR) reflect the success of business management and reflect a positive signal to investors and other parties that have a contractual relationship with the firm. A corporate's executive that produce profits has a higher propensity to publishing RMR as a signal of succeeded and business management's effectiveness reputation. Good management will maintain their reputation in capital markets with voluntarily disclose profits information (Lakhal, 2005). Good management can be perceived through its performance. Good management will be more transparent to its stakeholders about its performance. Management's performance can be measured by the size of the return on assets (ROA). Based on an above explanation, hypothesis can be arranged as follows:

H3: a. The higher the ROA the lower the level of mandatory disclosure disobedience.

b. The higher the ROA the higher the level of voluntary disclosure.

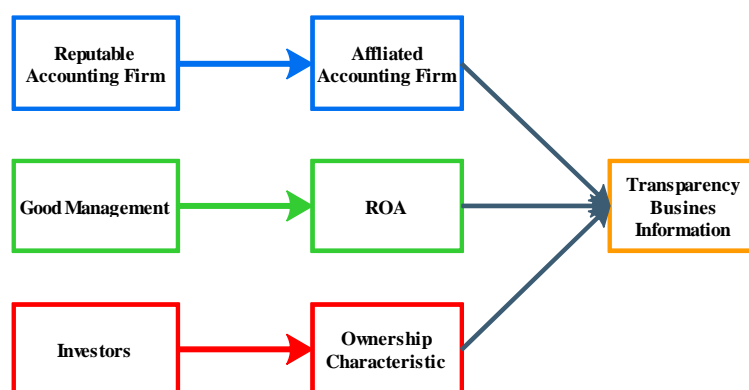


Figure 1
Research Model

This research model was developed based on the Dipiazza and Eccles's in 2002 thoughts regarding the CRSC elements that can support enhancement of transparency of financial reporting. However, not all elements will be tested in this study, only the elements of accounting firm, management, and ownership will be included in this research model (Figure 1).

There are two dependent variabel used in this study, the mandatory disclosure (called UNGKAP_W) and voluntary disclosure (called UNGKAP_SR). The UNGKAP_W level was measured with the undisclosure information according to Bapepam-LK and Indonesia Statement of Financial Accounting Standards (SFAS) regulations. Development of a list of mandatory information disclosure required under the terms of the Capital Market Act, No. 8 of 1995 (DPR-RI 1995), Consciusness Letter of Bapepam Chairman, No. 2/PM/2002 (Ketua Bapepem-LK 2002) about disclosure to the manufacturing industry, and Indonesia SFAS (IAI, 2009).

Voluntary disclosure is determined by identifying voluntarily information in the annual reports. The items of voluntary information were developed based on the concept of *value-based reporting* (*value reporting*), a list of information voluntarily developed by Price WaterhouseCoopers, and a results of previous studies. The voluntarily information disclosure rate is the ratio of the amount of volunteered information on the score number of information voluntarily's expected.

There are three independent variables to be tested in this study, namely the reputation (abbreviated REPU), management (MAN), and ownership characteristics (abbreviated MILIK). REPU is a dummi variable, given the value 1 if the firm is affiliated with the Big4 firm and 0 if it is not affiliated with Big4 firm. MAN variables measured by *Return on Assets* (ROA). MILIK variables measured by the three measures, namely the percentage of public ownership (MLKPUB), institutional ownership (MLKINST), and foreign institutional ownership (MLKINSTASING).

Control variables consists of company size (abbreviated UKUR), the age variable (called UMUR), a variable *leverage* (abbreviated LEV), and variable operating cash flow (abbreviated AKO). UKUR variable is measured by total assets. The UMUR variable is the period time since listed on the IDX. The LEV variable is

the ratio of total debts to total assets. The AKO variable is an amount of cash flow operating activities. There are 10 hypotheses to be tested in this study. Each hypothesis will be tested using two models, namely a partially test model (test model 1 - 6) and simultan tes model (test model 7- 8). Research hypothesis will be tested using test model as follows.

$$\text{UNGKAP_W} = \delta_0 + \delta_1 \text{REPU} + \delta_2 \text{UMUR} + \delta_3 \text{UKUR} + \delta_4 \text{AKO} + \delta_5 \text{LEV} + \varepsilon \dots\dots\dots \text{(Model 1)}$$

$$\text{UNGKAP_SR} = \delta_0 + \delta_1 \text{REPU} + \delta_2 \text{UMUR} + \delta_3 \text{UKUR} + \delta_4 \text{AKO} + \delta_5 \text{LEV} + \varepsilon \dots\dots\dots \text{(Model 2)}$$

$$\text{UNGKAP_W} = \delta_0 + \delta_{1-3} \text{MILIK} + \delta_4 \text{UMUR} + \delta_5 \text{UKUR} + \delta_6 \text{AKO} + \delta_7 \text{LEV} + \varepsilon \dots\dots\dots \text{(Model 3)}$$

$$\text{UNGKAP_SR} = \delta_0 + \delta_{1-3} \text{MILIK} + \delta_4 \text{UMUR} + \delta_5 \text{UKUR} + \delta_6 \text{AKO} + \delta_7 \text{LEV} + \varepsilon \dots\dots\dots \text{(Model 4)}$$

$$\text{UNGKAP_W} = \delta_0 + \delta_1 \text{MAN} + \delta_2 \text{UMUR} + \delta_3 \text{UKUR} + \delta_4 \text{AKO} + \delta_5 \text{LEV} + \varepsilon \dots\dots\dots \text{(Model 5)}$$

$$\text{UNGKAP_SR} = \delta_0 + \delta_1 \text{MAN} + \delta_2 \text{UMUR} + \delta_3 \text{UKUR} + \delta_4 \text{AKO} + \delta_5 \text{LEV} + \varepsilon \dots\dots\dots \text{(Model 6)}$$

$$\text{UNGKAP_W} = \delta_0 + \delta_1 \text{REPU} + \delta_{2-4} \text{MILIK} + \delta_5 \text{MAN} + \delta_6 \text{UMUR} + \delta_7 \text{UKUR} + \delta_8 \text{AKO} + \delta_9 \text{LEV} + \varepsilon \dots\dots\dots \text{(Model 7)}$$

$$\text{UNGKAP_SR} = \delta_0 + \delta_1 \text{REPU} + \delta_{2-4} \text{MILIK} + \delta_5 \text{MAN} + \delta_6 \text{UMUR} + \delta_7 \text{UKUR} + \delta_8 \text{AKO} + \delta_9 \text{LEV} + \varepsilon \dots\dots\dots \text{(Model 8)}$$

UNGKAP_SR = voluntary disclosure; UNGKAP_W= mandatory disclosure disobedience; REPU = affiliated firm; MAN = managemen; UMUR = time listed on the IDX; AKO = operating cash flow; LEV = leverage; \hat{a} = error; MILIK = ownership, measured by the three ownership measures, the percentage of public ownership (MLKPUB), institutional ownership (MLKINST), and foreign institutional ownership (MLKINSTASING).

Tabel 1 is the summary of hyphoteses and testing model of this research.

Tabel 1
Summary Hyphotesis and Testing Model

No.	Hyphotesis	Test Model
	Hyphotesis 1. a	
1.	Firms affiliated with Big4 firm had a negative effect on the level of mandatory disclosure disobedience	Model Empiris 1
	Hyphotesis 1. b	
2.	The level of voluntary disclosure will increase when the financial statements audited by firm that affiliated with Big4 firm	Model Empiris 2
	Hyphotesis 2.1.a	
3.	The more dispersed corporate ownership (public) the lower the level of mandatory disclosure disobedience.	Model Empiris 3
	Hyphotesis 2.1.b	
4.	The more dispersed corporate ownership (public) the higher the level of voluntary disclosure	Model Empiris 4
	Hyphotesis 2.2.a	
5.	The higher company ownership by the institution the lower the disobedience of mandatory disclosure	Model Empiris 3
	Hyphotesis 2.2.b	
6.	The higher company ownership by the institution the higher voluntary disclosure	Model Empiris 4
	Hyphotesis 2.3.a	
7.	The higher company ownership by a foreign institution the lower the level of mandatory disclosure disobedience	Model Empiris 3
	Hyphotesis 2.3.b	
8.	The higher company ownership by a foreign institution the higher the level of voluntary disclosure	Model Empiris 4
	Hyphotesis 3. a	
9.	The higher the ROA the lower the level of mandatory disclosure disobedience	Model Empiris 5
	Hyphotesis 3. b	
10.	The higher the ROA the higher the level of voluntary disclosure	Model Empiris 6
11.	Hyphotesis 1a, 2.1.a, 2.2.a, 2.3.a, and 3.a (simultaneously test)	Model Empiris 7
12.	Hyphotesis 1b, 2.1.b, 2.2.b, 2.3.b, and 3.b (simultaneously test)	Model Empiris 8

RESULTANDDISCUSSION

The data used in this study is the company's annual report data obtained from IDX. The sample years election from 2003 to 2005 based on the Bapepam-LK Chair-

man Consciousness Letters No. 02/PM/2002, about the disclosure of financial statements by the emiten or public company for 13 industries. Industry was selected as a sample is manufacturing industries. The samples

Table 2
Sample Description: Mandatory Disclosure

	Mean	Median	Maximum	Minimum	Std. Dev.
ASTOT	2.15E+09	5.55E+08	3.91E+10	42145204	5.67E+09
UTTOT	1.13E+09	2.52E+08	1.94E+10	11725000	2.91E+09
MODTOT	1.01E+09	2.72E+08	1.97E+10	-1.21E+09	2.85E+09
JUAL	2.64E+09	6.95E+08	4.43E+10	42773000	6.80E+09
LABA	2.19E+08	25109525	5.41E+09	-1.48E+08	7.85E+08
AKO	1.94E+08	36038287	3.18E+09	-2.45E+08	5.29E+08
ROA	4.190576	5.59	28.55	-139.22	17.87555
UNGKAP_W	15.36957	11.50	73.00	1	12.42535

ASTOT: total asset; UTTOT: total liability; MODTOT: total shareholder equity, JUAL: sales revenue; LABA: net income; AKO: operating cash flow; ROA: return on asset; UNGKAP_W: disobedience of mandatory disclosure.

were determined using the purposive method. The research data is from annual report of listed companies on IDX. In the end, the company samples with mandatory information disclosure were collected as many as 92 companies and voluntary disclosure as many as 97 companies. Here is a description of corporate mandatory disclosure data (Table 2) and voluntary disclosure (Table 3).

Hypothesis testing studies will be conducted

by *Generalized Method of Moment* (GMM). Here is the hypothesis testing 1a to 3b by partially. The results of testing hypothesis 1a shows that hypothesis 1a and 1b are not supported. Therefore, it can be concluded that the big names of public accounting firm can not affect or reduce the level of mandatory information disclosure disobedience and and it does not affect the level of voluntary information disclosure (Table 4).

Table 3
Sample Description: Voluntary Disclosure

	Mean	Median	Maximum	Minimum	Std. Dev.
ASTOT	2.14E+09	5.71E+08	3.91E+10	42145204	5.54E+09
UTTOT	1.14E+09	2.82E+08	1.94E+10	11725000	2.84E+09
MODTOT	1.01E+09	2.74E+08	1.97E+10	-1.21E+09	2.78E+09
JUAL	2.57E+09	7.11E+08	4.43E+10	26678000	6.63E+09
LABA	2.43E+08	36280019	5.41E+09	1296738	8.12E+08
AKO	1.91E+08	38992358	3.18E+09	-2.45E+08	5.16E+08
ROA	3.761856	5.52	28.55	-139.21	17.92593
UNGKAP_SR	33.12371	30.00	63.00	13.00	9.863926

ASTOT: total asset; UTTOT: total liability; MODTOT: total shareholder equity, JUAL: sales revenue; LABA: net income; AKO: operating cash flow; ROA: return on asset; UNGKAP_SR: voluntary disclosure.

The result of testing hypothesis 2.1a (Tabel 4) and 2.1b (Tabel 5) shows that the coefficient of public ownership (MLKPUB) is statistically insignificant. Thus, it can be concluded that public ownership does not reduce the level of mandatory information disclosure disobedience, but it does not increase the level of voluntary disclosure.

The results of testing the hypothesis 2.2a shows that the coefficient of institutional ownership (MLKINST) are negative and statistically significant (Tabel 4). The result of testing hypothesis 2.2b shows that the coefficient of institutional ownership (MLKINST) is negative and statistically insignificant (Tabel 5). Thus, it can be concluded that the higher institutional ownership can decrease the level of mandatory information disclosure disobedience, but it does not affect the level of voluntary disclosure.

The result of testing hypothesis 2.3a shows that the coefficient of foreign institutions (MLKINSTASING) is not statistically significant (Tabel 4). The results of testing hypothesis 2.3b shows that the coefficient of foreign institutions (MLKINSTASING) is positive and statistically significant (Table 5). Thus, it can be concluded that the higher ownership by foreign institutions do not reduce the level of mandatory information disclosure disobedience, but it can increase the voluntary information disclosure.

The results of testing the hypothesis 3a shows that the coefficients of MAN variables are negative and statistically significant (Table 6). The results of testing the hypothesis 3.b shows that the MAN variable coefficients are negative and statistically not significant (Table 6). Thus, it can be concluded that the

Table 4

The Result of Test Independent Variable to UNGKAP_W/UNGKAP_SR (Dependent Variable)

UNGKAP_W = $\delta_0 + \delta_1 \text{REPU} + \delta_2 \text{UMUR} + \delta_3 \text{UKUR} + \delta_4 \text{AKO} + \delta_5 \text{LEV} + \epsilon$ (Model 1)

UNGKAP_SR = $\delta_0 + \delta_1 \text{REPU} + \delta_2 \text{UMUR} + \delta_3 \text{UKUR} + \delta_4 \text{AKO} + \delta_5 \text{LEV} + \epsilon$ (Model 2)

UNGKAP_W = $\delta_0 + \delta_{1-3} \text{MILIK} + \delta_4 \text{UMUR} + \delta_5 \text{UKUR} + \delta_6 \text{AKO} + \delta_7 \text{LEV} + \epsilon$ (Model 3)

Variabel	Model 1	Model 2	Model 3a	Model 3b	Model 3c	Model 3d
C	21.379 (1,522)	-28.138 (-2.473)**	13.266 (1.017)	25.415 (1.692)*	13.041 (1.007)	37.703 (2,591)**
REPU	1,711 (0,831)	0,445 (0,221)	-	-	-	-
MLKPUB	-	-	0,015 (0,197)	-	-	-0,270 (-1,858)*
MLKINST	-	-	-	-0,094 (-2,008)**	-	-0,244 (-2,904)***
MLKINSTSING	-	-	-	-	-0,286 (-0,144)	0,174 (0,087)
MAN	-	-	-	-	-	-
UMUR	0,0828 (0,464)	6,216 (3,393)***	0,133 (0,772)	0,086 (0,511)	0,139 (0,805)	0,069 (0,402)
UKUR	-1,064 (-0,613)	-4,068 (-2,902)***	-0,391 (-0,238)	-0,558 (-0,312)	-0,310 (-0,193)	-0,197 (-0,116)
LEV	0,291 (0,203)	0,844 (1,323)	-0,060 (-0,043)	-0,073 (-0,049)	-0,109 (-0,079)	-0,177 (-0,124)
AKO	0,366 (3,124)***	-0,079 (-0,475)	0,430 (4,099)***	0,382 (3,736)***	0,435 (4,185)***	0,392 (4,011)***
DW	1,371	1,259	1,300	1,331	1,298	1,387
J-statistik	0,0357	0,0263	0,069	0,072	0,067	0,042

The level of significance Test: *10 persen; ** 5 persen, dan *** 1 persen

Table 5
The Result of Test Independent Variable to UNGKAP_SR (Dependen Variable)
UNGKAP_SR = $\delta_0 + \delta_{1-3}$ MILIK + δ_4 UMUR + δ_5 UKUR + δ_6 AKO + δ_7 LEV + ϵ(Model 4)

Variabel	Model 4a	Model 4b	Model 4c	Model 4d
C	-28.035 (-2.569)**	-24.568 *(-1.913)	-33.234 (-3,278)***	-44.879 -3,823)***
REPU	-	-	-	-
MLKPUB	0.114 (1.569)	-	-	0.363 (2,843)***
MLKINST	-	-0.095 (-1.487)	-	0.182 (2,005)**
MLKINSTSING	-	-	5.256 (3,131)***	5.988 (3,921)***
MAN	-	-	-	-
UKUR	6.167 (3.222)***	7.838 (4.405)***	6.239 (3,729)***	5.359 (2,948)***
LEVER	-4.126 (-2.758)***	-5.506 (-4.031)***	-4.082 (-3,128)***	-3.722 (-2,696)***
AKO	0.823 (1.299)	0.749 (1.141)	1.026 (1,654)	1.009 (1,709)*
UMUR	-0.083 (-0.501)	-0.039 (-0.239)	-0.186 (-1,134)	-0.165 (-0.994)
DW	1,317	1,341	1,296	1,384
J-statistic	0,0297	0,064	0,029	0,034

The level of significance Test: *10 persen; ** 5 persen, dan *** 1 persen

Table 6
The Result of Test Independent Variable to UNGKAP_W/UNGKAP_SR (Dependen Variable)
UNGKAP_W = $\delta_0 + \delta_1$ MAN + δ_2 UMUR + δ_3 UKUR + δ_4 AKO + δ_5 LEV + ϵ(Model 5)
UNGKAP_SR = $\delta_0 + \delta_1$ MAN + δ_2 UMUR + δ_3 UKUR + δ_4 AKO + δ_5 LEV + ϵ(Model 6)
UNGKAP_W = $\delta_0 + \delta_1$ REPU + δ_{2-4} MILIK + δ_5 MAN + δ_6 UMUR + δ_7 UKUR + δ_8 AKO + δ_9 LEV + ϵ(Model 7)
UNGKAP_SR = $\delta_0 + \delta_1$ REPU + δ_{2-4} MILIK + δ_5 MAN + δ_6 UMUR + δ_7 UKUR + δ_8 AKO + δ_9 LEV + ϵ(Model 8)

Variabel	Model 5	Model 6	Model 7	Model 8
C	12.515 (0.957)	-30.931 (-2.623)**	37.146 (2,442)**	-47.824 (-3.780)***
REPU	-	-	2.122 (1,013)	-0.059 (-0,029)
MLKPUB	-	-	-0.276 (-1,913)*	0.369 (2,829)***
MLKINST	-	-	-0.239 (-2,791)***	0.189 (2,029)**

Table 6 (Lanjutan)

Variabel	Model 5	Model 6	Model 7	Model 8
MLKINSTSING	-	-	-0.447 (-0,199)	5,951 (3,846)***
MAN	-0.170 (-4,322)***	-0.052 (-1.229)	-0.146 (-3,705)***	-0.052 (-1,167)
UKUR	0.055 (0,319)	6.636 (3,716)***	0.006 (0,036)	5.602 (2,914)***
LEVER	0.521 (0,338)	-4.363 (-3.132)***	0.283 (0,167)	-3.898 (-2,694)***
AKO	-0.767 (-0,594)	0.871 (1,385)	-0.629 (-0,461)	1.059 (1,825)*
UMUR	0.351 (3,272)***	-0.069 (-0,411)	0.411 (4,412)***	-0.148 (-0,396)
DW	1,549	1,283	1,645	1,406
J-statistic	0,020	0,021	0,007	0,0298

The level of significance Test: *10 persen; ** 5 persen, dan *** 1 persen

good management can reduce the level of mandatory information disclosure disobedience, but it can not affect the level of voluntary disclosure.

UMUR, UKUR and LEV variables had no significant effect on the disobedience of mandatory disclosure variable (UNGKAP_W). Operating cash flow (OCF) variable has positive and statistically significant at the disobedience of mandatory disclosure. The higher OCF will increase the disobedience of mandatory disclosure. Test results show that UKUR and LEV variable are positive and statistically significant in UNGKAP_SR variable. Time period (UMUR) and AKO (OCF) variables not statistically significant. Thus, voluntary disclosure is more often done by large companies and not longer listed on the IDX. In addition, voluntary disclosure is less attractive to companies with high debt financing policy.

If the testing is done jointly (H1a-H3b), there are only three independent variables that have a significant effect on UNGKAP_W variable, which is MAN, MLKPUB, and MLKINST variables. The longer listed company (UMUR) have oisitif and significant effect on UNGKAP_W. However, the MLKPUB variables have less significant effect on disobedience of mandatory disclosure (Table 6, the Model 7). The good management factors can reduce the disobedience of

mandatory disclosure. AKO variable has negative effect but statistically insignificant at the disobedience of mandatory disclosure. Thus, top mangement, public ownership, the institution, and longer listed company can encourage the management to fulfill the obligations of mandatory information disclosure.

Ownership characteristic has a significant effect on voluntary disclosure. MLKPUB, MLKINST, and INSTASING variables have a significant effect on UNGKAP_SR variable (Table 6, Model 8). MAN and REPU variables have no significant effect on the SKOR_SR variable. Voluntary disclosure is more often done by companies that are the large company, higher AKO, and not long listed on the Stock Exchange. Companies that have high debt are trying not to convey these conditions in the annual financial statements. Auditor reputation (REPU) which is a variable for affiliated Big4 firm has no significant effect on the voluntary disclosure. This condition is due to the fact that auditor is concerned with the audit of the number of financial reports and mandatory information in financial statements (Tabel 6, Model 8).

When ownership characteristic variables are test simulataneously, MLKPUB and MLKINST variables have a significant effect on UNGKAP_W (Table 4, model 3d). AKO variables have positive and signifi-

cant effect on the SKOR_W variable. Mandatory disclosure disobedience is more often done by companies that are higher AKO. MLKPUB, MLKINST, and INSTASING variables have a significant effect on UNGKAP_SR variable (Table 5, model 4d). MAN and REPU variables have no significant effect on the SKOR_SR variable. Voluntary disclosure is more often done by companies that are large, not long listed on the Stock Exchange, and higher operating cash flow. Companies that have high debt are trying not to convey these conditions in the annual financial statements.

CONCLUSION, LIMITATION, AND SUGGESTION

Conclusions

There are several conclusions to be drawn from this study. First, foreign ownership has a positive effect in increasing the voluntary information disclosure. This is because foreign institutional owners have a significant financial interest to the business entity that is the target of its investment. In addition, owners of foreign institutional are important investors to encourage the management to provide important information voluntarily. Public ownership has a relatively small effect on the reduction in mandatory disclosure of disobedience, but effected in increasing voluntary disclosure. Ownership institutions can affect the reduction of mandatory disclosure of disobedience and increasing a voluntary information disclosure. Second, good management is management that gives attention to the information transparency to various parties who have business interests in the company. Transparency's mean trust, because the information conveyed is reliable information and have high accuracy. These results indicate that good management has the ability to reduce the disobedience of mandatory disclosure, but does not increase voluntary disclosure. Third, KAP which is affiliated with KAP Big4 should have increased voluntary disclosure and reduced the disobedience of mandatory information disclosure. These results indicate that KAPAF do not see a voluntary disclosure neither mandatory disclosure as an important aspect. Although, one of the important things that set forth in standard is the disclosure of information. This study confirm that the KAP big names is not necessarily play an important role in increasement amount and quality

of mandatory information disclosure. KAPAF is the only KAP's local marketing strategies in Indonesia.

Limitation and Suggestion

Limitation of this study was the limited sample size. Therefore, further research can be done by extending the study sample. Subsequent research can also be done by examining the influence of other elements on the CRSC disobedience mandatory disclosure and voluntary disclosure.

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