The Effect of Audit Committee Effectiveness and Audit Quality on Earnings Management (Empirical Study of Manufacturing Companies Listed on the Indonesia Stock Exchange in 2016-2018

by Andrian Budi Prasetyo

JURNAL RAK (RISET AKUNTANSI KEUANGAN)
URL : http://jurnal.untidar.ac.id/index.php/RAK

THE EFFECT OF AUDIT COMMITTEE EFFECTIVENESS AND AUDIT QUALITY ON EARNINGS MANAGEMENT

(Empirical Study of Manufacturing Companies Listed on the Indonesia Stock Exchange in 2016-2018)

Jannah Zahra Inayah, Andrian Budi Prasetyo*
Accounting Department, Faculty of Economics and Business, Universitas Diponegoro, Indonesia
*Corresponding author: *andrianbp1589@live.undip.ac.id*

ARTICLE INFORMATION

Article history:
Received date:
Received in revised form:
Accepted:
Available online:

Kata kunci: accrual discretionary, audit quality, audit committee effectiveness

ABSTRAK

This study examines the effect of audit quality and audit committee effectiveness on earnings management in manufacturing company with effectiveness of audit committee as moderating variable. This study uses 300 samples from manufacturing company listed on the Indonesian Stock Exchange during the period of 2016-2018, and it is determined by using purposive sampling method. The data used in this study is secondary data which contains company financial information and annual reports obtained from Indonesia Stock Exchange (IDX) and Bloomberg. This research is using multiple regression analysis as data analysis technique. The result shows that there is a significant negative effect towards the specialization of auditors moderated by audit committee on earnings management. However, the auditor's reputation moderated by the audit committee has a positive and significant effect, and the period of auditor moderated by the audit committe.

Introduction

Companies, with an effective corporate governance mechanism, are considered capable to reduce the chance of management to manipulate earnings supported by the presence of a board of commissioners, audit committee, internal auditors and external auditors. Furthermore, earnings management can occur because of the difference of goals between the agent (manager) and principal (shareholders or company owners) which causes agency problems.

Generally Accepted Accounting Principles (GAAP) provides flexibility related to the selection of an accounting system that allows managers to use reporting methods and design financial projections for the future period in accordance with the field and background of the business entity. Therefore, this accrual principle is usually misused by management to maximize the profits of managers and companies by manipulating earnings (Watts and Zimmerman, 1990).

Schipper, (1989) (in Lin and Hwang, 2010) states that earnings management practices are intervention activities carried out by managers for specific purposes in the process of presenting external financial statements in order to obtain a portion of profits from profitable company performance. Piot, C. and Janin, (2007) examined the important function of the audit committee in improving the quality of the audit process and reducing earnings management practices. While these results are not consistent with research (Xie 2003); Kwon 2007; Alhadab, et al. 2018) which found that the number of directors on the audit committee did not affect the decline in earnings management in the company.

This study aims to examine and find empirical evidence of the influence of audit committees, industry specialization auditors, and tenure audits on earnings management with a sample of manufacturing industry companies on consumer goods, basic materials and chemical industries, and other industries listed on the Indonesia Stock Exchange during 2016-2018.

Literature Review and Hypotheses Development

Earnings management practices cannot be separated from agency theory. In the agency relationship, there is a contract agreed upon by both parties, manager and the owner of the company, which contains the delegation of duties and authority to the manager to operate the company. The agent has the desire to get compensation and bonuses from doing good performance by providing good financial reports. This means encouraging managers to report on the company's performance in a certain way to maximize their utility, by income maximization or minimization, eliminating certain assets, and income smoothing (Jensen, M.C. and Meckling, 1976).

Managers use financial statements as a tool to report company's performance, and it is used by the principals, investors, creditors, and the public as a basis in decision-making process. Information gap owned by managers compared to shareholders resulted in the emergence of asymmetric information which was giving chance for managers to manipulate earnings. Thus, the implementation of effective and efficient corporate governance practices of the board of commissioners, audit committees, internal auditors, and external auditors can minimize the manipulation of earnings made by managers (Zgarni, et al. 2016).

The Effect of Effectiveness of the Audit Committee and Auditor of Industrial Specialization on Earnings Management

Zgarni, et al. 2016 describes that the audit committee is responsible for protecting the rights of shareholders and overseeing the financial statements from bias. The existence of the audit committee as a mediator through with the agency theory becomes a support fundamental for the existence of audit committee as a mediator because the theory states that the transparency of the entity's internal information provided by committee of audit to manager, company owner and external auditor can suppress the potential for agency theory and asymmetric information. The existence of an audit committee as a mediator is contradict to agency theory, because the potential for asymmetric changes in information and agency conflict can be suppressed by formal communication between audit committee with the principal and audit committee with management to use transparent and free financial reports.

Furthermore, nowadays public accounting firms are increasing their focus on the larger industry. Therefore, the role of industry specialization auditors is very important in the audit process. Hakim and Omri (2010) (in Alves 2013) said that the position of auditors in the capital market world is very influential because it provides information and services that assess the fairness of financial statements and issue audit opinions. In practice, the auditor specialization cannot be directly observed because the expertise and experience of the industry specialization auditor are obtained from repeated audits. Therefore, the auditor specialization measurement can be measured with the market auditor industry shares based on client sales (Balsam, et al. 2003).

Company manager who carries out earnings management will receive incentives from the results of managing the company. Therefore, an effective audit committee is expected to press managers to provide transparent financial statements, and specialized auditors can identify earnings manipulation practices more thoroughly and improve audit quality in contributing to the reliability of financial information (Balsam, et al. 2003). The above discussion leads to the following hypotheses:

H1: The effectiveness of the audit committee and industry specialization auditor negatively influences earnings management.

The Effect of Effectiveness of the Audit Committee and a Big Four Auditor on Earnings Management

The audit process is one of the mechanisms that aims to obtain and evaluate audit evidence to reduce asymmetric information between managers and principals so they can publish transparent and reliable financial reports to give auditors opinion that it can increase the credibility of the financial statements and reduce agency costs that are arising from agency conflicts. Large companies will pay attention to their reputation by giving shareholders rights and obligations for their investments and maintaining creditor confidence. Therefore, large companies will choose a public accounting firm that has a good brand and reputation, such as Big 4/5/6 auditors.

In this study, Big Four auditors are used as variables to measure audit quality because Big Four auditors are considered to have better expertise and quality in auditing financial statements than non-Big Four auditors, and they receive a higher incentive for detecting and disclosing material misstatements contained in financial statements so as to produce quality information and to maintain their reputation and avoid legal liability so that they will conduct more comprehensive oversight and pressure managers not to use discretionary accruals. Previous research (Jensen, M.C. and Meckling 1976; Watts and Zimmerman, 1983; and Mitchell, et al. 2008) has shown that the relationship of the independent audit committee with Big Four auditors has the potential to improve audit quality and the expertise of the audit committee is able to support external auditors in auditing financial statements. Based on the discussion above, the hypothesis that can be formulated is:

H2: The effectiveness of the audit committee and Big Four auditor has a negative effect on earnings management.

The Effect of Audit Committee Effectiveness and Tenure Audit on Earnings Management

Tenure audit is the auditor's engagement period in providing services to clients. Tenure audits can have an impact on auditor performance related to independence, objectivity, emotional relations with clients, and also fee-audit with a long engagement period will cause intense relationships with clients so that it can affect the independence and objectivity of auditors in producing financial statements that can be trusted (Hamid, 2013). Based on Ministerial Decree No. 17/2008 article 3 about public accountant service, the term of the audit company's engagement with the client by the KAP is a maximum of 6 (six) consecutive financial years and by a public accountant is no longer than 3 (three) consecutive financial years.

Previous research that efforts to examine the effect of corporate governance and external auditors conducted by (Arens, et al. 2005) and (Meixner, W. F. and Welker, 1988), has found that with the length of the auditor's involvement, the auditor will be better at assessing the risk of material misstatement by gaining insight into client operations and business strategies. While (Becker, et al. 1998) and Zgarni, et al. (2016) has found that audit work tenure will have an impact on auditor independence. Based on the discussion above, the hypothesis that can be formulated is:

H3: The effectiveness of the audit committee and a long tenure auditor has a positive influence on earnings management.

Research Methods

The population data used in this study are manufacturing companies that focus on three sub-sectors, namely consumer goods, basic materials and chemical industries, and other industries that are listed on the Indonesia Stock Exchange during 2016-2018. The sample selection uses a purposive sampling technique which determines several criteria to obtain data that is suitable for certain criteria. From a total population of 138 companies, 38 companies do not meet the criteria. Thus, the total sample that can be processed is 100 companies for three years.

Table 3. 1
Measurement Variables

Variable	Type	Indicator	Reference	Measurement Scale
Earnings Management (DA)	Dependent	$\mathbf{DAC_{it} = (TAC_{it}/TA_{it-1}) - NAC_{it}}$	(Zgarni, et al. 2016)	Ratio
Auditor with specialization industry	Independent	SPEC = (∑KAP clients in the industry)/(∑ all all companies in the industry) x (KAP client assets)/(assets of all companies)	(Zgarni, et al. 2016)	Ratio
Auditor's reputation	Independent	Dummy 1 = KAP *BigFour* 0 = KAP *non BigFour*	(Zgarni, et al. 2016; Alves, S. 2013)	Nominal
Tenure audit	Independent	The number of consecutive years the auditor has retained a particular audit firm	(Zgarni, et al. 2016; Johnson, 2002; Kurniawansyah, D. 2016)	Ratio
Audit Committee	Moderating	Dummy 1 = have an AC 0 = otherwise	(Zgarni, et al. 2016)	Nominal
SIZEAC	Moderating	the number of members forming the AC	(Zgarni, et al. 2016)	Ratio
ACIND	Moderating	Dummy 1 = have an independent AC 0 = otherwise	(Zgarni, et al. 2016)	Nominal
ACEXPERT	Moderating	Dummy 1 = includes at least one member with financial expertise 0 = otherwise	(Zgarni, et al. 2016)	Nominal

Variable	Type	Indicator	Reference	Measurement Scale
ACMEET	Moderating	The numbers of meetings of AC	(Zgarni, et al. 2016)	Ratio
Leverage	Control	$\frac{\text{Total debt}}{\text{Total assets}}$	(Zgarni, et al. 2016; Fransiska Natalia dan Catur Widayati, 2013; Kurniawansyah, D. 2016; Balsam, et al. 2003)	Ratio
FIRMSIZE	Control	Ln_{it} (Total $Aset_{i,t}$)	(Zgarni, et al. 2016; Kurniawansyah, D. 2016; Balsam, et al. 2003)	Ratio
MTB	Control	$\frac{\text{Market value per share}}{\text{book value-liability}}$	(Zgarni, et al. 2016)	Ratio
ROA	Control	$\frac{\textbf{net income}}{\textbf{total aset}} \, \boldsymbol{x}\ \mathbf{100\%}$	(Zgarni, et al. 2016; Balsam, et al. 2003)	Ratio

Data Analysis Technique

Data analysis method used to test hypothesis 1 to hypothesis 3 is Ordinary Least Square. Regression analysis was used in this study to examine the effect of the independent variable (predictor, X) with the dependent variable (Y) (Ghozali, 2016).

$$\mathbf{DA_{it} = \alpha + \beta_1 SCOREAC_{it} + \beta_2 SPEC_{it} + \beta_3 REPUT_{it} + \beta_4 TENURE_{it} + \beta_5 ACSPES_{it} + \beta_6 ACREPUT_{it} + \beta_7 ACTENURE_{it} + \beta_8 FIRMSIZE_{it} + \beta_9 Lev_{it} + \beta 10 MTB_{it} + \beta_{11} ROA_{it} + \varepsilon_{it}}$$

Information:

DA : discretionary accruals using the Modified-Jones Model of1995 (Dechow, et al. 1995)

SCOREAC : audit committee score

REPUT : auditor firm size (KAP Big-4)

SPEC : auditor with specialization industry

TENURE : auditor engagement period

ACSPEC : auditor industry specialization is moderated by SCOREAC

ACREPUT: auditor reputation is moderated by SCOREAC

ACTENURE: tenure audit is moderated by SCOREAC

FIRMSIZE: natural logarithm of the company's total assets

LEV : leverage

MTB : market-to-book ratio

ROA : return on assets

ε : error

Empirical Results and Discussion

This study uses manufacturing industries that focus on three sub-sectors, consumer goods, basic materials and chemical industries, and other industries by using purposive sampling techniques to determine research samples. Based on data obtained from the Indonesia Stock Exchange in 2016-2018, there are 138 companies found, 100 of them are used as research samples.

Table 4. 1

Sample Selection

No	Information	Accumulation
1	Manufacturing companies listed on the IDX for the periode 2016-2018	414
2	Manufacturing companies that do not publish annual reports in rupiah	(75)
3	Companies with incomplete data	(9)
4	Companies with annual reports in rupiah and end the period on December 31each year	330
5	Outlier	(30)
	The number of samples for (3) three years	**300**

Descriptive statistics

In descriptive statistics, the results and the interpretation of the regression data processing that has been done using a multivariate analysis application with the IBM SPPS program will be explained. The results of data processing consist of descriptive statistical tests, classic assumption tests, correlation tests, and hypothesis testing using multiple regression analysis.

Tabel 4. 2

Descriptive Statistic

Var	N	Min	Max	Mean	Standar Deviation
DA	300	-0,273	0,7993	0,0729	0,1173
SCOREAC	300	-2,117	1,6714	0,0874	0,3959
TENURE	300	1,000	8,0000	3,9100	2,3467
ACSPEC	300	-0,371	1,6714	0,0571	0,1887
ACREPUT	300	-1,268	1,6714	0,0489	0,2371
ACTENURE	300	-10,589	13,3719	0,4893	2,0115
FIRMSIZE	300	25,215	34,3579	28,4236	1,6540
LEV	300	0,000	3,5932	0,5060	0,3808
MTB	300	-0,885	82,4444	3,0793	7,7639
ROA	300	-0,391	0,7129	0,0527	0,1121

Source : Data sekunder yang diolah SPSS, 2016-2018

Earnings management as the dependent variable is measured by the discretionary accrual (DA) that has a minimum value of -0.2734 and a maximum value of 0.7993. The mean discretionary shown in Table 4.2 is 0.0729 or 7.29%, it means that it is smaller than the standard deviation value, which is 11.73%, which means that there are bad data deviations and cause abnormal data to appear.

Variable (SCOREAC) is the effectiveness of the audit committee as a moderating variable having a minimum value of -2.118 and a maximum value of 1.671. While the mean values obtained below the standard deviation values of 0.087 and 0.396, respectively, indicates that the data variation in the study sample is relatively small resulting in unfavorable deviations.

The audit tenure variable which is denoted by TENURE in Table 4.2, shows that the minimum value is 1.00 and the maximum value is 8.00. It means that the auditor's engagement period for the client company is one year audit tenure for the shortest and eight years for the longest. While the average value obtained is 3.910 with a standard deviation of 2.356, these results indicate the average value of the tenure variable is greater than the standard deviation value so that the distribution of data large and there is not a large gap.

Table 4. 3
Frequency of Industry Specialization Auditors

Variable	*Score*	*Information*	*Frequency*	*Percentage*
Auditor Specialization	0	Not audited by industry specialization auditors	215	72%
Industry (SPEC)	1	Audited by industry specialization auditors	85	28%
	Total		**300**	**100**

Source: Secondary data processed, 2016-2018

Based on the table, 85 manufacturing companies listed on the Indonesia Stock Exchange use industry-specific auditors during the audit process, and 215 companies are not audited by industry specialist auditors. From this, it can be concluded that the major of sample is not audited by industry specialist auditors.

Table 4. 4
Frequency of Auditor's Reputation

Variable	*Score*	*Information*	*Frequency*	*Percentage*
Auditor's Reputation (SPEC)	0	Audited by KAP non-Big-4	200	67%
	1	Audited by KAP Big-4	100	33%
	Total		**300**	**100**

Source: Secondary data processed, 2016-2018

The number of companies audited by Big 4 is found to be 100 while the other 200 companies are audited by non-big 4. It means that most of manufacturing companies used for samples is not audited by KAP Big-4.

The independent variables of industry specialization auditors are moderated by the audit committee and notated by ACSPEC having minimum and maximum values of -0.3714 and 1.6714 respectively with an average of 0.0571 and a standard deviation value of 0.1887. ACREPUT variable or the effectiveness of the audit committee moderating the reputation variable has a minimum value of -1.2686 and a maximum value of 1.6714 with an average value of 0.0489. Based on the standard deviation of 0.2371, there is a relatively large variation of the data so that an adverse deviation occurs. Then the ACTENURE variable, namely the tenure audit variable which is moderated by the SCOREAC variable, has the minimum value of -10.5896 and the maximum value of 13.372 with an average and standard deviation of 0.490 and 2.011, which means that there is a large distribution resulting in unfavorable deviations.

The control variables that were examined in this study are FIRMSIZE measured by the natural logarithm of the total assets of the company having a minimum value of 25,215 million rupiah and a maximum value of 34,368 million rupiah with an average of 28,424 and a standard deviation value of 1,654. Then the LEV variable (comparison of total debt and total assets) has a minimum value of 0,0005 or 0.05% and a maximum value of 3,600 while an average value of 0.506 or 50.6% and a standard deviation value of 0.381. This means that the companies which become the sample of research have an average debt of 50.6% and the lowest debt of 0.05%. The MTB ratio (which compares the market value (MV market value of shares) with the book value of shares (BV value) of a minimum value of Rp -0,885 and a maximum value of Rp 82,444 with an average and standard deviation of respectively IDR 3,080 and IDR 7,764. Then the ROA variable has a minimum value of -0.392 and a maximum value of 0.7129 with an average value of 0.0527 or 5.27% and a standard deviation of 0.112. However, the average sample company that can generate profits from total assets owned is only 5.27%. While the company that can produce the highest profit reaches 71.29%.

Results of Regression

Table 4. 5
Regression Results

Variable	N	B	t	Sig
(Constant)				
SCOREAC	300	-0,010	-0,349	0,727
SPEC	300	0,049	2,596	0,010
REPUT	300	-0,040	-2,458	0,015
TENURE	300	-,002	-0,714	0,478
ACSPEC	300	-0,148	-2,900	0,004
ACREPUT	300	0,164	3,871	0,000
ACTENURE	300	-0,003	-0,498	0,619
FIRMSIZE	300	-0,013	-2,934	0,004
LEV	300	-0,029	-1,971	0,050
MTB	300	-0,002	-2,478	0,014
ROA	300	0,665	12,874	0,000
R-Squared	300		0,247	
Adjusted R²	300		0,218	
F-Statistic	300		19,885	
P (Signifikansi)	300		0,000ᵇ	

Source: Secondary data processed, 2016-2018

$$\boldsymbol{DA_{it}} = \alpha + -0{,}010\boldsymbol{SCOREAC_{it}} + 0{,}049\boldsymbol{SPEC_{it}} + -0{,}040\boldsymbol{REPUT_{it}} + -{,}002\boldsymbol{TENURE_{it}} + -0{,}148\boldsymbol{ACSPES_{it}} + 0{,}164\boldsymbol{ACREPUT_{it}} + -0{,}003\boldsymbol{ACTENURE_{it}} + -0{,}013\boldsymbol{FIRMSIZE_{it}} + -0{,}029\boldsymbol{Lev_{it}} + -0{,}002\boldsymbol{MTB_{it}} + 0{,}665\boldsymbol{ROA_{it}} + \varepsilon_{it}$$

Significant Test of Individual Parameters (Statistical Test t) basically shows the effect of each independent variable on the dependent variable. If the results of t count> 0.05, the hypothesis is rejected. Industrial specialization auditor variable moderated by the audit board (ACSPEC) obtained a coefficient of -0.148, t -2,900 with a significant value of 0.004. With a significant value <0.05 the ACSPEC influence variable gives a negative influence on the earnings management variable which states that H1 is accepted. Although the oversight of the audit committee is considered not optimal because the significance value is above 0.05, but with the auditor qualification of industry specialization, it can reduce earnings management in manufacturing companies in Indonesia.

The results of this study is related with the prior research of Balsam et al. (2003) and Zgarni et al. (2016), so the companies that use auditors with industry specialization can reduce the level of earnings management conducted by managers. The influence and performance of industry specialization auditors also depends on the legal conditions of a country, when the country has a weaker legal environment the level of earnings management will tend to be higher than countries with a stronger legal environment because both auditors and companies will be subject to severe penalties for the actions of managers who manipulate earnings and auditors allow companies to do this (Kwon, et al. 2007).

The auditor ownership variable moderated by the audit committee (ACREPUT) has a coefficient value of 0.164 and a t value of 3.871, with a significance of 0.000 which <0.06 significance level of the positive variable ACREPUT variable and significant to earnings management variables because the direction is reversed with the hypothesis H2 is rejected. Rejecting the second hypothesis is due to ineffective supervision of BigFour's audit committee and auditors who are deemed unable to identify earnings management by managers resulting in the presence of Big Four KAP has not been able to reduce the level of earnings management in Indonesian manufacturing companies. the results of this second hypothesis test do not support the agency theory as said by Jensen & Meckling (1996), in which external auditors act as assessors of the reliability of financial statements that are free from material misstatements and reduce information asymmetries that might occur and prevent managers from carrying out earnings management.

The moderating audit variable that is moderated by the audit board (ACTENURE) obtained a coefficient value of -0.003, and a t-value of -0.449, with a significant value of 0.619> a significance level of 0.05. Thus, it can be denied that the ACTENURE variable has no effect on management earnings and states that H3 is rejected. The oversight mechanism of the audit committee and external auditor is the most important thing that can help the company to reduce agency conflict. However, from these findings, we can conclude that there is no significant influence between tenure audits on the decline in earnings management. This result is consistent with the empirical research of (Johnson 2002); (Jackson, et al. 2009); (Kono, 2013) because the length of auditor engagement is considered unable to reduce earnings management practices by the company.

Conclusion

This study is conducted to prove that the effectiveness of the audit committee's role as a mediator in overcoming agency conflicts and external auditors can reduce and minimize earnings management practices undertaken by management, especially in manufacturing companies in consumer goods, basic and chemical industries, and other recorded industries on the Indonesia Stock Exchange during 2016-2018. Earnings management, as the dependent variable, is measured by the accrual discretionary proxy and independent audit quality variables which include auditor industry specialization, auditor reputation, and audit engagement period. This study shows the factors that can influence earnings management including the effectiveness of audit committees; auditors with industry specialization; and tenure audit, leverage, firm size, ROA and MTB ratios. From the three hypotheses above, only audit committees and auditors with industry specialization which are able to prove that this supervision mechanism can reduce the level of earnings management in Indonesian manufacturing companies.

According to the descriptive statistical test, the highest discretionary accrual score occurred at PT. Mustika Ratu Tbk. in 2017 which was audited by KAP Kanaka Puradiredja Suhartono, which is not included in the Big Four KAP, was 0.79933. It means that PT. Mustika Ratu Tbk. conduct earnings management with income maximization schemes. The company that has the lowest accrual discretionary scores are PT. PT. Jakarta Kyoei Steel Works Tbk. with score -0.27343 in 2017. This means that in that year, earnings management is with income minimization scheme and has been audited by KAP Muhammad Sofwan & Partners.

In conducting research that examines the effect of audit committee effectiveness and audit quality on earnings management, there are several limitations experienced by the author, namely there are companies that do not publish financial reports either on the https://www.idx.co.id/ website or on the company's website so that reduce the number of study samples. Mostly, manufacturing companies in Indonesia still do not explain the profile of the audit committee in the company's annual report.

Moreover, this research sample only focused on the manufacturing industry which is listed on the Indonesia Stock Exchange during 2016-2018. As it is known that within a period of 3 (three) years the condition of the Indonesian economy was uncertain due to the domino effect arising from the trade wars between China and the United States. This condition indirectly had an impact on commodity exports from Indonesia.

Related to the limitations and results of the following research, the suggestion for further research is to increase the population to get a larger sample, so the number of samples is not limited to one sector to see the quality of financial statements so that it can generalize the results of research. Second, further research is expected to be able to add independent variables that can affect the earnings management level, for example, audit fees, company ownership structure, and IPO share offerings and use real transaction proxies to measure earnings management which are less noticed and more difficult for investors, regulators, and other parties who have interest in the financial statements. This is because during the audit process, the auditors are facing time pressure so they conduct audits quickly and can only focus on seeing the historical profit of the company.

References

Alhadab, Mohammad, and Iain Clacher. 2018. "The Impact of Audit Quality on Real and Accrual Earnings Management around IPOs." *British Accounting Review* 50(4): 442–61. https://doi.org/10.1016/j.bar.2017.12.003

Alves, Sandra. 2013. "The Impact of Audit Committee Existence and External Audit on Earnings Management." *Journal of Financial Reporting and Accounting* 11(2): 143–65.

Arens, Alvin A, Randal J Elder, and Mark S Beasley. 2005. *Auditing and Assurance Services: An Integrated Approach, 10th Edition*. 10th ed.

Balsam, S. et al. 2003. "Auditor Industry Specialization and Earnings Quality." *SSRN Electronic Journal*: 1–46.

Becker, C. et al. 1998. "The Effect of Audit Quality on Earnings Management." *Contemporary Accounting Research* 15(1): 1–24.

Ghozali, Imam. 2016. *Aplikasi Multivariate Dengan Program IBM SPSS 23*.

Jackson, et al. 2009. "The Association Between Audit Committee Characteristics, the Contracting Process and Fraudulent Financial Reporting." *American Journal of Business* 24(1): 57–66.

Jensen, M.C. and Meckling, W.H. 1976. "The Resource-Based View Within the Conversation of Strategic Management." *Journal of Financial Economics* 13(3): 305–60.

Johnson, et al. 2002. "Audit-Firm Tenure and the Quality of Financial Reports." *Contemporary Accounting Research* 19(4): 637–60.

Kono, F. D. Permatasari. 2013. "Pengaruh Arus Kas Bebas, Ukuran KAP, Spesialisasi Industri KAP, Audit Tenur Dan Independensi Auditor Terhadap Manajemen Laba." *Diponegoro Journal of Accounting* 2: 166–74.

Kwon, S.Y. et al. 2007. "Legal Systems and Earnings Quality: The Role of Auditor Industry Specialization." *Auditing : A journal of practice & theory* 26(2): 25–55.

Lin, Jerry W. and Hwang, Mark I. 2010. "Audit Quality, Corporate Governance, and Earnings Management: A Meta-Analysis." *International Journal of Auditing* 14(1): 57–77.

Meixner, W. F. and Welker, R. B. 1988. "Judgment Consensus and Auditor Experience: An Examination of Organizational Relations." *Source: The Accounting Review* 63(3): 505–13.

Mitchell Van der Zahn, J- L.W., Harjinder Singh, and Inderpal Singh. 2008. "Association between Independent Audit Committee Members' Human- resource Features and Underpricing." *Journal of Human Resource Costing & Accounting* 12(3): 179–212.

Piot, C. and Janin, R. 2007. "External Auditors, Audit Committees and

Earnings Management in France." *European Accounting Review* 16(2): 429–54.

Watts, Ross L., and Jerold L. Zimmerman. 1983. "Agency Problems, Auditing, and the Theory of the Firm: Some Evidence." *The Journal of Law and Economics* 26(3): 613–33.

Watts, Ross L, and Jerold L Zimmerman. 1990. "Accounting Year Theory : Ten Perspective." *Review Literature And Arts Of The Americas* 65(1): 131–56. http://www.jstor.org/stable/247880.

Xie, Biao. et al. 2003. "Earnings Management and Corporate Governance : The Role of the Board and the Audit Committee." *Journal of Corporate Finance* 9: 295–316.

Zgarni, I. H. K. et al. 2016. "Effective Audit Committee, Audit Quality and Earnings Management." *Journal of Accounting in Emerging Economies* 6(2): 138–55.

The Effect of Audit Committee Effectiveness and Audit Quality on Earnings Management (Empirical Study of Manufacturing Companies Listed on the Indonesia Stock Exchange in 2016-2018

ORIGINALITY REPORT

15%	15%	12%	%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	lib.unnes.ac.id Internet Source	3%
2	repository.ubharajaya.ac.id Internet Source	2%
3	e-journal.stie-kusumanegara.ac.id Internet Source	2%
4	journal.unnes.ac.id Internet Source	1%
5	journal.uinsgd.ac.id Internet Source	1%
6	Inaam ZGARNI, Khmoussi HLIOUI, Fatma ZEHRI. "Effective audit committee, audit quality and earnings management", Journal of Accounting in Emerging Economies, 2016 Publication	1%
7	Widya Ais Sahla, Ardianto Ardianto. "Ethical values and auditors fraud tendency	1%

perception: testing of fraud pentagon theory", Journal of Financial Crime, 2022
Publication

8	www.ssbfnet.com Internet Source	1%
9	iarjournals.com Internet Source	1%
10	www.neliti.com Internet Source	1%
11	journal.umg.ac.id Internet Source	1%
12	Taha Almarayeh, Modar Abdullatif, Beatriz Aibar-Guzmán. "The role of audit committees inmitigating earnings management: evidence from Jordan", Journal of Accounting in Emerging Economies, 2022 Publication	1%
13	pub.unj.ac.id Internet Source	1%

Exclude quotes	Off	Exclude matches	< 1%
Exclude bibliography	On		

The Effect of Audit Committee Effectiveness and Audit Quality on Earnings Management (Empirical Study of Manufacturing Companies Listed on the Indonesia Stock Exchange in 2016-2018

GRADEMARK REPORT

FINAL GRADE	GENERAL COMMENTS
/0	**Instructor**

PAGE 1

PAGE 2

PAGE 3

PAGE 4

PAGE 5

PAGE 6

PAGE 7

PAGE 8

PAGE 9

PAGE 10

PAGE 11

PAGE 12

PAGE 13

PAGE 14

PAGE 15