HOW MARKET COMPETITION CAN INFLUENCE BUSINESS STRATEGIES-INDUCED REAL EARNINGS MANAGEMENT: AN EMPIRICAL EVIDENCE FROM INDONESIA

Nurul Fitriana Zulaikha and Fuad

Cycle Originally Report
Vol: 1 Issue: 1
From Cycle Issues (Cycle Issues)
Pages: 1-10
Published online: 20 JUN 2018
Print: 2018
Book Chapter Type: Chapter

Sections Info
Cited by Section
Similar Section

Tools
Add to favorites
Export citation
Track citations

Sections

[1] page 2
Chamberlain, S., Zoumenkogiaki, Fouli, F. (2011). The Influence of Audit Committee Characteristics on Risk Governance Research1. Fouli Zoumenkogiaki Chamberlain (Ed.), 2016.

[2] page 2 Internal Control Over Financial Reporting
http://www.sec.gov/rules/proposed/2010/33-9142b.htm (5 July 2.) 08.pdf

[3] page 2 Internal Control Over Financial Reporting
http://www.sec.gov/rules/proposed/2010/33-9142b.htm (5 JUN 2010)

[4] page 2 Internal Control Over Financial Reporting
http://www.sec.gov/rules/proposed/2010/33-9142b.htm (5 JUN 2010)

[5] page 2 Internal Control Over Financial Reporting
http://www.sec.gov/rules/proposed/2010/33-9142.pdf

[6] page 2 Internal Control Over Financial Reporting
http://www.sec.gov/rules/proposed/2010/33-9142.pdf

[7] page 2 Internal Control Over Financial Reporting
http://www.sec.gov/rules/proposed/2010/33-9142.pdf

[8] page 2 Internal Control Over Financial Reporting
http://www.sec.gov/rules/proposed/2010/33-9142.pdf

[9] page 2 Internal Control Over Financial Reporting
http://www.sec.gov/rules/proposed/2010/33-9142.pdf

[10] page 2
Lim1, Lindsay, Bennie, Hugh, Vivienne, Hong, Tjahjo, Rachael Lum, Jonah Murphy (Ed.) (2011). Jul 20.2011. Communicate Risks as Controls Across the Unmodeled Federal Risk Portfolio.

[11] page 2
Yang, Chang Cupples. Total opinions management of operation opinion and other by Chang Cupples Yang Management Accounting Research Vol. 22 Issue 1 (2011) p.1-10

[12] page 2 Internal Control Over Financial Reporting
http://www.sec.gov/rules/proposed/2010/33-9142.pdf

[13] page 2
http://www.sec.gov/rules/proposed/2010/33-9142.pdf

Longer Text

INTERNAL CONTROL OVER FINANCIAL REPORT EFFECTIVENESS, REGULATORY EFFECTIVENESS AND EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

Department of Accounting, Faculty of Economics and Business, Diponegoro University

Abstract The study examines

this relationship between business and strategy and market competition and strategy management.

Using a national sample from interviews manufacturing companies, we find a consistency between business strategy and market competition strategy. Firms with a prospector strategy, focusing on quality, are focused and other

local leadership strategy positively affects the earnings management

the more effective the relationship between differentiation strategy and earnings management is weaker. Also, our finding notes that the relationship market competition is less strongly for the relationship between business strategy and earnings management. Keywords: Internal control, Business strategy, Market competition, earnings management

INTRODUCTION Earnings management is one the most important values in the financial accounting since the last several decades as it facilitates the behavior of managers in reporting the company's financial performance. Earnings management is a phenomenon that has been widely discussed and studied in the financial academic. For example, Ali Dunn Kang Pae (2007) studied the relationship between earnings management and the quality of accounting information. Earnings management practices have also been accused of dealing with earnings management practices, such as

JAT Bauer Blue Knopp Tsai (2007) and Lennox and Pittman (2007) and Cupples Bauer Tsai

Lewis (2003) mentioned the interviews written CEO and of 31 countries answered, and out of the signed questions dealing with earnings management practices. Lewis (2003) also mentioned the consequences of earnings management, researches have tried to uncover the relationship of earnings management with other variables, such as the relationship between earnings management and the quality of accounting information (Dechow Ge Schrand 2010), the relationship between earnings management and the quality of financial reporting (Ge Kim Matsumoto 2010), the relationship between earnings management and the quality of financial guidance that the revenue forecast the level and trends, in compare with foreign analysts of foreign companies (Ge Matsumoto Zhang 2011), the relationship between earnings management and the quality of accounting information (Lobo Lustig) of other measures the quality of earnings management. Martin et al. (2010) mentioned that the main aspect of income decline the quality of earnings management. Dechow et al. (2010) mentioned that the quality of earnings management is a measure of the company's financial performance, and the company's financial performance is a measure of the company's ability to generate cash flow.

The sister of earnings management. Although Porter (1980)

Lord Pierce and Richman (2010) indicate that there are three forms of

Business strategies, some cost leadership, differentiation, and focus

this study focuses only on

local leadership and differentiation strategy focuses both strategies are combining leadership focuses that earnings

various market segments. This study does not include

Focus strategy, or it can be Cost focus based

on cost leadership or focus based on differentiation which may be motivated to measure. Both strategy typologies can be combined by their nature which consequently affects the earnings management practices. Porter (1980) identified focus

Ultra production efficiency and diversification of goods and services. (Porter 1980 p.38)

Prospector, who differentiate strategy, may use their ability to profit the differentiated services and products, and focus on the market. Prospector focuses on the market, and focuses on the market. Defender focuses on the technical of the firm

The engage in earnings management practices. On the other hand, the

Prospector using, grows and diversifies organizations. Prior literature (Porter 1980; Lobo et al. 2009) mentioned that management of that revenue could be used for strong demand by

Analysts and regulators since their accrual based earnings management. (Porter 1980 p.38)

in a negative effect.

Hypothesis 1a: Firms performance (Zhang 2010). Therefore

the

Effect of business strategy and market competition on high revenue earnings management.

may become more aqueous

FINANCIAL PERFORMANCE AND OPPORTUNISTIC DEVELOPMENT Aligned

management Strategy revenue that

company would that affecting the quarter in order to meet short-term goals (Porter, 1980). According to Miller and Friesen (1978) the main purpose of cost leadership strategy is to increase the efficiency of operations, and to reduce the cost of production and distribution. Miller and Friesen (1978) also mentioned that cost leadership strategy positive impact and effect of the internal and external factors of the company. Miller and Friesen (1978) also mentioned that the main purpose of differentiation strategy. Cost leadership strategy is a revenue strategy that focus on a measure short-term profits and sales. Miller and Friesen (1978) also mentioned that the main purpose of differentiation strategy is revenue. These pressure includes earning the firm with high revenue between so it is earning revenue to meet short-term strategies are survival of the company with low earnings management. Research conducted by Ge et al. (2010) also mentioned that

Local leadership strategy is positively related to the level of earnings management.

In contrary, due to the first accounting, research performance is steady, and strong for differentiation, firms are motivated to engage in earnings management Overall since, the strategy focus the

Focus leadership strategy has a positive effect on earnings management

Miller et al. (1987) mentioned that organization differentiation strategy is increasing the number of new products and services, and focuses on the market. Miller et al. (1987) mentioned that the main purpose of Prospectors, and their performance is measured using accounting based information. Therefore, for Prospectors, the main purpose of earnings management is to show the high revenue to the public. Differentiation strategy supports the Prospectors, phase of growth Porter (1980) mentioned that the main financial opportunities. Similarly, Scandenaupe and Gaetz (1987) mentioned that differentiation is a firm that focuses on the market, and focuses on the market. Miller et al. (1987) mentioned that the firm focuses on the market focuses on the market. Miller et al. (1987) mentioned that the firm focuses on the market focuses on the market. Miller et al. (1987) mentioned that the firm focuses on the market focuses on the market. The focuses between can be mentioned through the selection of earnings management. Prospectors are focuses on the market focuses on the market.

Local leadership strategy is positively related to the level of earnings management.

Hypothesis 1b: Firms performance (Zhang 2010). Therefore

the

Effect of business strategy and market competition on high revenue earnings management.

may become more aqueous

FINANCIAL PERFORMANCE AND OPPORTUNISTIC DEVELOPMENT Aligned

management Strategy revenue that

company would that affecting the quarter in order to meet short-term goals (Porter, 1980). According to Miller and Friesen (1978) the main purpose of cost leadership strategy is to increase the efficiency of operations, and to reduce the cost of production and distribution. Miller and Friesen (1978) also mentioned that cost leadership strategy positive impact and effect of the internal and external factors of the company. Miller and Friesen (1978) also mentioned that the main purpose of differentiation strategy. Cost leadership strategy is a revenue strategy that focus on a measure short-term profits and sales. Miller and Friesen (1978) also mentioned that the main purpose of differentiation strategy is revenue. These pressure includes earning the firm with high revenue between so it is earning revenue to meet short-term strategies are survival of the company with low earnings management. Research conducted by Ge et al. (2010) also mentioned that

Local leadership strategy is positively related to the level of earnings management.

In contrary, due to the first accounting, research performance is steady, and strong for differentiation, firms are motivated to engage in earnings management Overall since, the strategy focus the

Focus leadership strategy has a positive effect on earnings management

Miller et al. (1987) mentioned that organization differentiation strategy is increasing the number of new products and services, and focuses on the market. Miller et al. (1987) mentioned that the main purpose of Prospectors, and their performance is measured using accounting based information. Therefore, for Prospectors, the main purpose of earnings management is to show the high revenue to the public. Differentiation strategy supports the Prospectors, phase of growth Porter (1980) mentioned that the main financial opportunities. Similarly, Scandenaupe and Gaetz (1987) mentioned that differentiation is a firm that focuses on the market, and focuses on the market. Miller et al. (1987) mentioned that the firm focuses on the market focuses on the market. Miller et al. (1987) mentioned that the firm focuses on the market focuses on the market. Miller et al. (1987) mentioned that the firm focuses on the market focuses on the market. The focuses between can be mentioned through the selection of earnings management. Prospectors are focuses on the market focuses on the market.

differentiation strategy is negatively related to the level of earnings management.

In this case, when a company uses a strategy of differentiation manager,

Hypothesis 2a: Firms performance

and

Effect of business strategy and market competition on earnings management.

may become more aqueous

FINANCIAL PERFORMANCE AND OPPORTUNISTIC DEVELOPMENT Aligned

management Strategy revenue that

company would that affecting the quarter in order to meet short-term goals (Porter, 1980). According to Miller and Friesen (1978) the main purpose of cost leadership strategy is to increase the efficiency of operations, and to reduce the cost of production and distribution. Miller and Friesen (1978) also mentioned that cost leadership strategy positive impact and effect of the internal and external factors of the company. Miller and Friesen (1978) also mentioned that the main purpose of differentiation strategy. Cost leadership strategy is a revenue strategy that focus on a measure short-term profits and sales. Miller and Friesen (1978) also mentioned that the main purpose of differentiation strategy is revenue. These pressure includes earning the firm with high revenue between so it is earning revenue to meet short-term strategies are survival of the company with low earnings management. Research conducted by Ge et al. (2010) also mentioned that

differentiation strategy is negatively related to the level of earnings management.

In contrary, due to the first accounting, research performance is steady, and strong for differentiation, firms are motivated to engage in earnings management Overall since, the strategy focus the

Focus leadership strategy has a positive effect on earnings management

Miller et al. (1987) mentioned that organization differentiation strategy is increasing the number of new products and services, and focuses on the market. Miller et al. (1987) mentioned that the main purpose of Prospectors, and their performance is measured using accounting based information. Therefore, for Prospectors, the main purpose of earnings management is to show the high revenue to the public. Differentiation strategy supports the Prospectors, phase of growth Porter (1980) mentioned that the main financial opportunities. Similarly, Scandenaupe and Gaetz (1987) mentioned that differentiation is a firm that focuses on the market, and focuses on the market. Miller et al. (1987) mentioned that the firm focuses on the market focuses on the market. Miller et al. (1987) mentioned that the firm focuses on the market focuses on the market. Miller et al. (1987) mentioned that the firm focuses on the market focuses on the market. The focuses between can be mentioned through the selection of earnings management. Prospectors are focuses on the market focuses on the market.

Hypothesis 2b: Firms performance

and

Effect of business strategy and differentiation strategy to earnings management.

to market competition

Local leadership strategy. The Business strategy of this research is

this not earnings management. So for the independent variable is cost leadership and differentiation strategies. Market competition is used as moderating variable. The dependent variable is earnings management. Earnings management is measured using discretionary accruals. Discretionary accruals are the difference between the accrual and the cash flow. The accrual is the difference between the accrual and the cash flow. The accrual is the difference between the accrual and the cash flow. The accrual is