

The Effect of Asymmetric Information, Board of Commissioners Size, and Independent Board of Commissioners, on Earnings Management with Managerial Ownership as a Moderating Variable

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Abstract

The tendency of company's always wants to maximize their profits, which makes earnings management practice often carried out by management. This research aims to examine and get empirical evidence related to the effect of asymmetric information, board of commissioner size, and independent board of commissioners on earnings management with the ownership of the managers as a moderating variable. This research has been carried out on real estate and real estate related companies listed on the Indonesian Stock Exchange in 2020-2022. Data type is secondary data in the form of audited accounts. Structural Equation Modeling-Partial Least Square (SEM-PLS) is the data analysis method used. The findings indicated that asymmetric information, board of commissioner size and independent board of commissioners had no effect on earnings management. However, after managerial ownership becomes a moderating variable, independent board of commissioners has an effect on earnings management.

Keywords: *Asymmetric Information, Board of Commissioners Size, Independent Board of Commissioners, Earnings Management, Managerial Ownership.*

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A. INTRODUCTION

One of the successes of a company's determined by the level of gain realized. Profit is an important indicator in financial statements because, the profit condition of a company is one of the considerations in decision making by management in managing a company. Profit can also be interpreted as a positive difference between revenue and costs, every company must have a goal to maintain business continuity by making a profit. Therefore, every management always wants to show profits in their financial statements so that performance is considered good and get a reward (Anggraeni & Noviyanti, 2022). For these reasons, the earnings component of the financial statements can lead to opportunistic actions by management to maximize their utility (Dhaneswari & Widuri, 2013).

Earnings management is a process of Reasonable and lawful management reporting and decision-making with the goal of achieving steady and predictable financial outcome (Healy, 1985). Earnings management means an action that affects the information in the financial records of the business and intervenes on purpose by company managers with the goal of misleading the interested parties who request

performance information and internal conditions of the company (Wiyadi et al., 2015).

It's fascinating to study earnings management because, in 2023 there have been cases of earnings management in Indonesia. PT Waskita Karya and PT Wijaya Karya are suspected of committing fraud by manipulating financial statements in the aim of inflating company profits. In 2017-2018 PT. Waskita succeeded in making a high profit, but in 2020 it had a significant loss. Where it raised questions because there was a large profit but there was a negative cash flow. That is why currently the issue of earnings management is still interesting to be researched on the causes, and also what underlies management in implementing techniques for earnings management.

According to investigation done by Candra et al., (2021) It states the asymmetry information has an impact on earnings management, while according to Santosa & Rasyid, (2022) Asymmetric information doesn't affect to earnings management. As stated by Minarti & Syahzuni, (2022) It states there are other factors, such given the commissioners' size has an adverse influence on the management of earnings, but according to Idris & Natalylova, (2021) their argues that there is no bearing on management on earnings from the size of commissioners. On the other hand, there are other indicators that can affect earnings management such as those found in research conducted by according to Angelica, (2022) the independent of commissioners has no bearing on the management of earnings. However, Fauziah et al., (2021) It claims that the independent commissioners has a positive impact. This indicates the independent of commissioners can be among the elements that will influence management in carrying out earnings management practices. This suggests that there are still a variety of indicators that can impact on managing earnings. That is the basis for this research by adding the managerial ownership variable as a moderating which is a novelty from previous research.

B. LITERATUR REVIEW

1. Agency Theory

Agency theory was first discovered by Jensen & Meckling, (1976), Agency theory is commonly used in the relationship among management and shareholders in company's, where management is considered as the agency parties and shareholders are considered as the principal parties. According to agency theory, each person is driven by their own interests, so it can lead to conflicting interests between agents and principals. As principals, shareholders enter into contracts that aim to increase revenue in order to maximize their welfare (Sumantri et al., 2021). Earnings management is another side of agency theory, which highlights how crucial it is to transfer ownership of the business from the principal to other parties, or agents, who are more qualified to run the business (Maulidiana & Rukmana, 2023).

2. Positive Accounting Theory

According to Watts & Zimmerman, (1990) This theory explains that management will maximize profits if it felt to be aligned with the personal interests of the management. Positive Accounting Theory can also be used to explain how managers choose accounting methods with the aim of maximizing profits to pursue a bonus that has been set by the owner of the company. When the manager's fee In light of the company's attainment on net profit, it makes sense for the manager to report the highest possible net profit (Ayu et al., 2017).

3. Managerial Ownership

One form of managerial ownership can be ownership of common shares, preferred shares, shares options, or other types of equity. Shares held by directors, commissioners, or other management parties who actively engage in decision-making are referred to as managerial ownership (Sumantri et al., 2021). The management who have shares in the business will get benefits if the business is doing well, this makes them more motivated to work hard because their profits will increase if the business is doing well. However, there is a risk that they might think more about personal gain than the company's interests. As managerial ownership grows, management will be directly impacted by decisions taken and will work to lower the danger of losing their assets (Nurleni et al., 2018).

4. Asymmetric Information and Earnings Management

Asymmetric information is a need where managers have access to additional firm information than other parties. The existence of asymmetric information motivates managers to make incorrect statements, including assessing financial performance measures (Dwika et al., 2023). This difference and asymmetry can result in many inefficiencies (Lakkakula et al., 2022). According to Budi & Dini, (2019) Adverse selection and moral hazard are the two forms of asymmetric knowledge that exist. Inverse selection occurs when one parties who have more information will carry out a business transaction. Moral hazard is a type of asymmetric information in that one parties or more are entering into a transaction and can observe the actions they are taking in the completion of these transactions, while the other parties have no access to this information.

Agency theory dictates that there is asymmetric information between shareholders and managers which is based on trust. When all information is not known by shareholders, it will resulted in the information sometimes not being received in accordance with the ongoing state of the business (Budi & Dini, 2019). in order the management for begin using management of earnings, This matches the findings of earlier studies carried out by Candra et al., (2021) demonstrates that asymmetric information has a positive impact on earnings management, therefore the authors formulate the following hypotheses:

H₁: Asymmetric information has a positive effect on earning management

5. Board of Commissioners Size and Earnings Management

According to Elfiswandib & Ilonab, (2019) The board structure is two-tiered, with the directors as the manager and the Board of Commissioners as the supervisor of the manager. It means that there is a separation of functions between the board as supervisor and controller in the company. According to Constitution No. 40 of 2007, the person who advises the board of directors and oversees general or particular oversight in compliance with the association's articles is known as the board of commissioners.

The board of commissioners also possesses obligations and liabilities, which are to supervise and ensure that corporate governance in practice has been implemented properly (Idris & Natalylova, 2021). The Board of Commissioners is one of component that can influence the earnings management actions, this happens because the board of commissioners has the responsibility and duty to control the quality of the information provided in the financial statements. So many boards of commissioners can minimize practices used by the company to manage earnings, This is in line with the results of research previously performed by Minarti & Syahzuni, (2022). So, the author formulated the following hypotheses:

H₂: Board of commissioners has a negative effect on earnings management

6. Independent Board of Commissioners and Earnings Management

Independent commissioners are part of companies and are needed to be impartial. Independent commissioners are also required to comply with good corporate governance standards and monitoring managers in reporting financial statements (Tamara et al., 2022). Based on the Regulation Otoritas Jasa Keuangan No. 57/POJK.04/2017 on pasal 19, all public company's in Indonesia must have independent commissioners. In addition, there must be more than two participants on the Board of Commissioners, and the proportion of independent commissioners must be at least (30%) of the total number of members. In order to establish sound corporate governance, independent commissioners are the most suitable people to carry out supervisory duties (Hidayat et al., 2023).

The Independent Commissioners can help in balancing that role of supervisor and considering decision-making process (Sudarman et al., 2019). An independent commissioner that does not execute their duties properly will interfere with the supervisory function and cause it to be not effective. Therefore, in research previously carried out by Fauziah et al., (2021) which declares many boards of independent commissioners do not rule out the potential for further earnings management techniques, the authors formulate the following hypotheses :

H₃: Independent board of commissioners has an positive effect on earnings management

7. The Managerial Ownership as a Moderating Variable

Managerial Ownership is a circumstance in which management participates in the shares ownership and in making decisions. As stated by Warfield et al., (1995) The quantity of company shares held by different management parties, such as the

board of directors or commissioners, apart from the shares held by the principals, the general public, and institutional parties, is known as managerial ownership.

According to Setiawati & Syaiful, (2022) The increased degree of managerial ownership in a company's, then smaller the percentage level of earnings management, because managers are involved in the process of determining decisions and policies of the company. Management parties who have a large portion of share ownership will act in line with other shareholders, and make sure the company's there have been presented financial statements in a reasonable form and by disclosing the actual state of the business (Paramitha & Firnanti, 2018). The existence of managerial ownership in company's tends to minimize a conflict because management and owners have the same goals. So that managerial ownership is anticipated to minimize profits management techniques. Therefore, the authors formulate the following hypotheses:

H₄: The managerial ownership can provide a moderating effect for asymmetric information on earnings management.

H₅: The managerial ownership can provide a moderating effect for board of commissioner size on earnings management.

H₆: The managerial ownership can provide a moderating effect for independent board of commissioner on earnings management.

C. METHOD

Population of the object in this research is all property and real estate company included in list of the Indonesian Stock Exchange in the 2020-2022 period. On the research, the researchers used a quantitative method, in this research, the kind of data used is secondary data, which is taken from audited financial statement data. The source of data is obtained from the official website of the Indonesia Stock Exchange www.idx.co.id and there are several financial reports obtained from the company's official website. The method used to determine the sample in this research is purposive sampling method, with the following criteria:

Table 1. Research Sample

Information	Total
Criteria:	
a. Company's listed on the IDX as of January 1, 2020	68
b. Company's that are delisted from the Indonesia stock exchange 2020 - 2022	(5)
c. Company's that do not include the required data	(9)
Research Sample	46
Year Observation	3
Total Observation	138

This study consists of dependent, independent, moderating, and control variables. With earnings management as the dependent variable and asymmetric information, board of commissioners size, and independent of commissioners as independent variables, with managerial ownership as a moderating variable, besides

that control variables which consist of company age, firm size, Solvability, gender diversity, leverage, Return on Assets.

In earnings management there are various situations in the achievement of company results that are purposely influenced by managers who have the initiative in the accounting process (Siekelova et al., 2020). To find out how good a company's finances are, it is very important to ensure their financial statements are accurate. Therefore, in this research, the assessment of earnings management using by Discretionary Accruals measurement which a developed from the Jones model, with that following formula:

1. Value of total accrual:

$$TAC_{it} = NI_{it} - CFO_{it}$$

2. Value of total accruals is calculated with the OLS regression equation:

$$TAC_{it}/A_{it-1} = \beta_0 + \beta_1 (1/A_{it-1}) + \beta_2 (\Delta REV_{it} - \Delta REC_{it})/A_{it-1} + \beta_3 (PPE_{it}/A_{it-1})$$

3. Value of nondiscretionary accruals (NDA)

$$NDAC_{it} = \beta_0 + \beta_1 (1/A_{it-1}) + \beta_2 (\Delta REV_{it} - \Delta REC_{it})/A_{it-1} + \beta_3 (PPE_{it}/A_{it-1})$$

4. Value of discretionary accruals:

$$DAC = (TAC_{it} / A_{it-1}) - NDAC_{it}$$

Description:

TAC_{it} = Total accruals for the year

NI_{it} = Net income for the year

CFO_{it} = Operating cash flow in the current year

A_{it-1} = Total assets in the previous year

ΔREV_{it} = Revenue change in company for the current year

ΔREC_{it} = Receivable change in company for the current year

PPE_{it} = Fixed assets of the company in the current year

ROA_{it} = Return on Assets in the current year

Asymmetric information is an instance where supervisors have more access the information related to the company's prospects than other parties (Rini & Amelia, 2022). Therefore, in this research to measure asymmetric information, the researchers use bid-ask spread, which are the ratio among the difference between both the lowest bid price and the highest ask price is divided by result of the summation of the lowest bid price and the highest ask price, which were then split into two. With the following calculation model:

$$SPREAD_{i,t} = (ask_{i,t} - bid_{i,t}) / \{(ask_{i,t} + bid_{i,t}) / 2\} \times 100$$

The board of commissioners is crucial to corporate governance process with responsibilities and obligations of supervision, the number of commissioners can impact on company's performance to be more efficient. Therefore, the measurement of this variable is calculating the quantity of commissioners' members listed in annual report.

The commissioners' independence is determined through the General Meeting of Shareholders (GMS), the decision determines that independent of commissioners from the participants unconnected to the principal shareholders, directors, or other commissioner board members (Rahayu et al., 2021). Therefore, in

previous research conducted by Asitalia & Trisnawati, (2017), to examine the calculation on independent of commissioners is done with the following proxy:

$$\text{Independent board of commissioners} = \frac{\text{Number of independent board of commissioners}}{\text{Number of board of commissioners}}$$

According to Atinc et al., (2012) Variables control are auxiliary variables similar to main elements that have an effect of action and are capable of connecting with dependent variable. In this research there are variables are expected to be suitable for earnings management, namely firm size, solvability, gender diversity, leverage, and Return on Assets.

After following the data collection process, the researcher checks and predicts hypotheses to demonstrate the estimated influence between the independent and dependent variables. Then, Partial Least Square structural equation modeling analysis was used to analyze the data (SEM-PLS). The SmartPLS version 3.0 program was used to be able to test the hypothesis of this research. In this research, descriptive analysis is used to explain both the independent and dependent variables. These variables are related to The minimum, maximum, mean value, and standard deviation of every variable under investigation (Maulidiana & Rukmana, 2023). Partial Least Squares path modeling (PLS-SEM) was developed by Wold, (1980). PLS-SEM is used to conduct data an examination to evaluate the relationship either independent and dependent variables in research, especially in research that focuses on theory development (Purwanto et al., 2021).

There are two parts of examining the structural model of PLS, which are the inner model and outer model. The inner model used to evaluate how latent variables or constructs relate to each other and other variables in the model. The examination of the structural model is performed by examining the R-Square value, a goodness-of-fit model test. While that outer model explains how latent variables and their indicators can interact with each other, and determines the relationship of each indicator to the latent variable (Made, 2021).

D. RESULT AND DISCUSSION

1. Descriptive Statistic

The aim of this descriptive statistical test is to provide an overview or explanation of the data assessed based on the quantity of samples, average, maximum, and minimum values of each variable (Christiani & Nugrahanti, 2014). From the descriptive statistical data, it can be seen that the dependent variable used within this research, Earnings Management, denoted by EM, had an average value of 0.003 with a maximum value of 0.426 and minimum value of -0.233. This shows on average company's engaged in property and real estate practice earnings management of 0.3 percents on their financial statements.

Table 2. Descriptive Statistic

Variable	Mean	Median	Min	Max	S.DEV
EM	0.003	0.004	-0.233	0.426	0.060
AI	0.039	0.031	0.000	0.258	0.041
BOC	3.717	3.000	2.000	16.000	2.143

IBC	0.421	0.400	0.000	0.800	0.118
MO	0.507	1.000	0.000	1.000	0.500
GENDER	0.848	1.000	0.000	5.000	0.955
FS	28.954	29.003	25.632	31.584	1.436
ROA	0.008	0.006	-0.375	0.428	0.068
SOLVA	1.217	0.481	0.002	20.445	2.851
LEVERAGE	0.370	0.323	0.002	1.113	0.233

2. Analysis of Measurement Model

The outer model measurement test in SEM-PLS requires several stages. Validity and reliability tests are carried out in the first stage, and then the outer loading test to find out how well the indicators used to measure the measured constructs. After that, cross-loading, convergent, and discriminant tests are carried out (Hair et al., 2020).

In conducting the model test, the first thing to do is test the validity and reliability by examining the outer loading. The test's outcomes are displayed in Table 3. Based on data from Table 3 demonstrates that the model used in this research has a good and safe outer loading value so that the construction of the model can be measured very well by all indicators. Outer loading can be said good if the value is above 0.7 and 0.5 (Hair et al., 2020).

Table 3. Outer Loading

	AI	BOC	EM	FS	GD	IBC	LEV	MO	ME 1	ME 2	ME 3	ROA	SOLV
AI	1.000												
BOC		1.000											
EM			1.000										
FS				1.000									
GD					1.000								
IBC						1.000							
LEV							1.000						
MO								1.000					
MO*AI									1.006				
MO*BOC										0.971			
MO*IBC											0.996		
ROA												1.000	
SOLV													1.000

After examining the outer loading, subsequently in testing the research model is to evaluate the data's validity and dependability. This test is carried out by assessing Cronbach's alpha (α) and composite reliability (CR). Cronbach's Alpha is a data value that shows the consistency between indicators used in the model, while composite reliability (CR) is measured to determine the reliability or dependability of the data used by considering the integrity of each indicator in the model, (Hair et al, 2020). Table 4 shows the composite reliability and Cronbach's alpha values of each indicator in the model have a secure value, so it can be said that the data used are reliable and valid. The Cronbach's alpha value can be said to be good if it is above 0.5. Meanwhile, composite reliability can said to be good if it is above 0.7. In table 4 we can also see the average value of the extended variable which has a value

above 0.5. It shows the data for each indicator used is secure and can be said to have passed the reliability and validity tests.

Table 4. Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
AI	1.000	1.000	1.000	1.000
BOC	1.000	1.000	1.000	1.000
EM	1.000	1.000	1.000	1.000
FS	1.000	1.000	1.000	1.000
GD	1.000	1.000	1.000	1.000
IBC	1.000	1.000	1.000	1.000
LEV	1.000	1.000	1.000	1.000
MO	1.000	1.000	1.000	1.000
ME 1	1.000	1.000	1.000	1.000
ME 2	1.000	1.000	1.000	1.000
ME 3	1.000	1.000	1.000	1.000
ROA	1.000	1.000	1.000	1.000
SOLV	1.000	1.000	1.000	1.000

In testing this model, the last step is discriminant testing. Discriminant test is a test related to testing the relationship between different variables so there is no collinearity between independent variables in a model (Saragi sitio, 2021). This test is carried out in 2 ways, namely by testing the discriminant validity value fornell lacker and discriminant validity value of HTMT. The outcomes of discriminant test Displayed in the table 5. In light of the table 5, observably the outcomes of discriminant test with the fornell lacker criteria show that the indicators used are secure and nothing exists corporation among independent variables because the value in the table shown at the top is the highest value when compared to data below, so the data can said to be secure. Meanwhile, the HTMT discriminant validity test shows that the data used is also in accordance with the criteria programmed by Smart PLS. This indicated by the data in table 5 that has a green number. So, the data after going through the HTMT discriminant validity test can also said to be secure.

Table 5. Discriminant Validity-Fornell-Lacker Criterion

	AI	BOC	EM	FS	GD	IBC	LEV	MO	ME 1	ME 2	ME 3	ROA	SOLV
AI	1.000												
BOC	-0.080	1.000											
EM	-0.077	-0.184	1.000										
FS	-0.091	0.374	-0.158	1.000									
GD	-0.076	0.592	-0.001	0.433	1.000								
IBC	0.200	-0.080	-0.090	-0.049	-0.295	1.000							
LEV	0.079	0.081	-0.041	-0.018	0.104	0.010	1.000						
MO	0.018	0.195	-0.134	0.198	0.283	-0.011	0.137	1.000					
ME 1	-0.392	-0.107	-0.069	0.131	0.018	-0.101	0.105	-0.001	1.000				
ME 2	-0.110	0.663	-0.058	0.133	0.400	-0.107	-0.084	-0.006	-0.082	1.000			
ME 3	-0.102	-0.105	-0.101	-0.040	-0.119	0.264	0.018	0.000	0.203	-0.078	1.000		
ROA	-0.159	-0.011	0.431	0.163	0.146	-0.166	-0.129	0.068	-0.005	0.124	0,029	1.000	
SOLV	0.140	-0.030	-0.070	-0.192	0.126	-0.087	0.671	0.131	0.141	-0.107	-0.083	-0.071	1.000

Table 6. Discriminant Validity-HTMT

	AI	BOC	EM	FS	GD	IBC	LEV	MO	ME 1	ME 2	ME 3	ROA	SOLV
AI													
BOC	0.080												
EM	0.077	0.184											
FS	0.091	0.374	0.158										
GD	0.076	0.592	0.001	0.433									
IBC	0.200	0.080	0.090	0.049	0.295								
LEV	0.079	0.081	0.041	0.018	0.104	0.010							
MO	0.018	0.195	0.134	0.198	0.283	0.011	0.137						
ME 1	0.392	0.107	0.069	0.131	0.018	0.101	0.105	0.001					
ME 2	0.110	0.663	0.058	0.133	0.400	0.107	0.084	0.006	0.082				
ME 3	0.102	0.105	0.101	0.040	0.119	0.264	0.018	0.000	0.203	0.078			
ROA	0.159	0.011	0.431	0.163	0.146	0.166	0.129	0.068	0.005	0.124	0.029		
SOLV	0.140	0.030	0.070	0.192	0.126	0.087	0.671	0.131	0.141	0.107	0.083	0.071	

3. Analysis of Structural Model

The structural analysis of this model consists of several steps: checking the collinearity of the structural model, verifying the size and importance of the path coefficients, checking the R^2 value of the endogenous variables for in-sample prediction before determining the in-sample prediction's F2 effect size, and the final is checking the relevance of Q^2 prediction (Hair et al., 2020).

4. Structural Model Collinearity

Results from this Collinearity tests are displayed in a table 7. In that table, it is visible the model used in this study does not show any significant possibility of multicollinearity. Because the VIF value of each indicator is less than 3.0 and the bivariate correlation between indicator scores is less than 0.50. This is also strengthened by the statement from Hair et al., (2020), explained that data has multicollinearity problems is marked by a bivariate correlation value of more than 0.50. Meanwhile, data that has a VIF value below 3 indicates that the indicators used in the model do not have a collinearity problem.

Table 7. Outer and Inner VIF

Outer VIF		Inner VIF												
	VIF	AI	BOC	EM	FS	GD	IBC	LEV	MO	ME 1	ME 2	MO 3	ROA	SOLV
AI	1.000			1.350										
BOC	1.000			2.734										
EM	1.000													
FS	1.000			1.520										
GD	1.000			2.090										
IBC	1.000			1.289										
LEV	1.000			1.977										
MO	1.000			1.157										
ME 1	1.000			1.354										
ME 2	1.000			2.058										
ME 3	1.000			1.177										
ROA	1.000			1.161										
SOLV	1.000			2.181										

5. Path Analysis and Hypotheses Testing

After conducting various tests on the model in this research to make sure the reliability and validity the data, the next thing to do is make an assessment according to findings bootstrapping analysis used in Smart PLS program. The outcome of the bootstrapping is attached in table 8. The bootstrapping hypothesis results obtained by using a significance value of alpha 0.05 or 5% in processing of data, it can be seen that asymmetric information has a p-value $(0.224) \geq (0.05)$, this suggests that the asymmetric information had no significant impact on the management of earnings. So that H_1 is rejected. Even though there is information asymmetry between shareholders and managers in property and real estate company's, it cannot be a strong reason to motivation behind management's use of earnings management.

In addition, this condition also occurs in other two variables, specifically the board of commissioners size and independent commissioners' board. The two variables had p-values of (0.163) and (0.561) respectively. It indicates that both of the p-values of these variables are greater than (0.05). So that the commissioners size and the independent board of commissioners do not possess an important impact on earnings management. And therefore, H_2 and H_3 are also rejected. Because, even though property and real estate company's has a large number on boards of commissioners and can oversee and control for each division in the company properly, It continues not have an impact on management's use of earnings management. Same with that existence of an independent commissioners, even though it company has an independent commissioners are not tied to company's and have an impartial attitude to the company, therefore they have a tendency to comply with the code of ethics. It will also not affect management who wants to practice earnings management.

In the moderating effect test, it can be seen that the moderating effect of 1 and 2, namely asymmetric information and size of the board of commissioners on managing earnings while controlling for managerial ownership, has a p-value of (0.149) and (0.385) or larger than (0.05). This indicates the managerial ownership cannot have a moderating impact on these two variables. So that H_4 and H_5 are rejected. It shows that, even though there is managerial share ownership in company's operating in the property and real estate industry, asymmetric information and the sufficient commissioners size in the company's will not affect management in practicing earnings management. Because, the difference in information between shareholders and the number boards of commissioners in conditions where management owns shares in the company will not encourage the management to practice earnings management even though most management who own shares in a company will tend to be more careful in managing company profits.

However, the test of moderating effect 3, namely independent commissioners on managing earnings with managerial ownership, shows a p-value of $(0.036) \leq (0.05)$. It shows the existence of commissioners who are impartial, which initially doesn't impact on earnings management, but after the existence of managerial

ownership as a moderate, independent board of commissioners have an effect management of earnings. So, we can conclude that H_6 is accepted. Managerial ownership tends to have a personal interest in improving financial performance, therefore independent of commissioners is influenced by managerial ownership on management of earnings. A supervisor, independent of commissioners. Furthermore, accountable for safeguarding all shareholders interests and can evaluate decisions made by management that can be motivated by personal interests.

The next step in this research is the analysis of the R-squared value. The value of R-square will show how strong the prediction of the model used. Because, R squared is an implementation form of a dependent variable's variance that can be accounted for by its independent variables when predicting the model. The large R-squared value indicates that greater the prediction power of the model. In table 9, it is possible to see that the results of the R squared test show the model used has a R squared value of 27.5%. It indicates 27.5% variance in the dependent variable may have an explanation and predicted by the independent variable. While the rest of the variation is explained by additional variables not found in the model that was employed.

The last step in this test is to examine the Q-squared (Q^2). The value of Q^2 is obtained from the blindfolding test in the Smart PLS program. The Q-squared test aims to provide an estimate of how well the model predicts the dependent variable, (Hair et al., 2020). Table 10 displays the data, which indicates the Q^2 value obtained is (0.152) which indicates that the model prediction assessment is low. Because, a model can be said to have moderate and large predictive value if it has a Q^2 value above 0.25 and 0.50, (Hair et al., 2020).

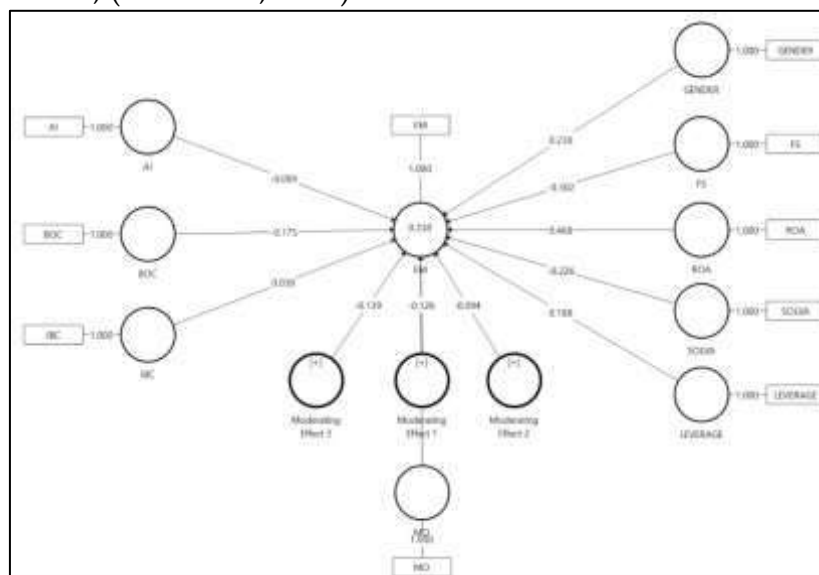


Figure 1. Path Coefficient

Table 8. Structural Model and Hypotheses Testing

	Original Sample (O)	Sample Mean (M)	(STDEV)	T Stat	P Values	CI [2,5%;97,5%]	f ²
Direct Effect							
AI -> EM	-0.089	-0.077	0.073	1.217	0.224	-0.213; 0.067	0.009
BOC -> EM	-0.175	-0.145	0.125	1.397	0.163	-0.408; 0.069	0.017
IBC -> EM	0.038	0.037	0.065	0.582	0.561	-0.093; 0.164	0.002
MO -> EM	-0.134	-0.156	0.088	1.521	0.129	-0.342; -0.000	0.023
GENDER -> EM	0.238	0.197	0.146	1.634	0.103	-0.084; 0.484	0.041
FS -> EM	-0.302	-0.292	0.091	3.320	0.001	-0.467; -0.118	0.090
ROA -> EM	0.468	0.462	0.208	2.245	0.025	-0.021; 0.777	0.285
SOLVA -> EM	-0.226	-0.202	0.115	1.957	0.051	-0.440; -0.005	0.035
LEVE -> EM	0.188	0.167	0.121	1.553	0.121	-0.081; 0.391	0.027
Moderating Effect							
Moderating effect 1	-0.126	-0.109	0.088	1.444	0.149	-0.268; 0.060	0.018
Moderating effect 2	-0.094	-0.100	0.108	0.870	0.385	-0.347; 0.089	0.006
Moderating effect 3	-0.139	-0.131	0.066	2.108	0.036	-0.258; 0.003	0.025

Table 9. R Squared Data

	R Square	Adjusted R Square
EM	0.338	0.275

Table 10. Construct Cross-Validated Redundancy

	SSO	SSE	Q ² (=1-SSE/SSO)
AI	138.000	138.000	
BOC	138.000	138.000	
EM	138.000	117.006	0.152
FS	138.000	138.000	
GD	138.000	138.000	
IBC	138.000	138.000	
LEV	138.000	138.000	
MO	138.000	138.000	
Moderating Effect 1	138.000	138.000	
Moderating Effect 2	138.000	138.000	
Moderating Effect 3	138.000	138.000	
ROA	138.000	138.000	
SOLV	138.000	138.000	

E. CONCLUSION

The goal of the research is to examine that impact of asymmetric information, the commissioners size and independent commissioners on management of earnings with managerial ownership as a moderator variable. In this study, testing also carried out specifically to test variables related of real estate and property company as subject in this research. In this research results displayed in table 8, we can see the direct effect of each variable on management of earnings and the impact of variables after getting a moderating effect of managerial ownership. The summary and findings of this research are as follows: 1) From the table shows that asymmetric

information, board of commissioners size, and independent board of commissioners don't significantly affect the management of earnings. Therefore, it can be concluded that the hypothesis of 1 (H_1), hypothesis 2 (H_2), and hypothesis 3 (H_3) are rejected. It shows that property and real estate company asymmetric information, the size and independence of the board of commissioners had no appreciable effect on the management of earnings. These results are in line with studies carried out by Santosa & Rasyid, (2022), Idris & Natalylova, (2021), and Angelica, (2022); 2) The inclusion of managerial ownership as a moderator variable also had no significantly effect on asymmetric information and the commissioners size on earnings management. So, the conclusion can be concluded that H_4 and H_5 are rejected; and 3) However, independent of commissioner variable, managerial ownership can provide a moderating effect on this variable. So, the presence of independent boards of commissioners in company's operating in property and real estate sector which initially could not affect earnings management practices, after being given the moderating effect managerial ownership significantly affect earnings management. The effect can be seen from the data displayed in table. 8 which shows a p-value of the independent board of commissioners which initially amounted to $(0.561) \geq (0.05)$ after being given the moderating effect of managerial ownership, changed to $(0.036) \leq (0.05)$. It can be inferred that H_6 is accepted.

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