

The Effect of Information Asymmetry on Earnings Management with Corporate Governance as Moderating Variable

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ABSTRACT

Company performance has an impact on the company's value. Therefore, earnings management often occurs in companies. Earning management occurs when there is information asymmetry, because management have the opportunity to prioritize their own interests over shareholders. To minimize earnings management, companies need to implement good corporate governance, which can be measured by board of commissioners' size and audit committee's size. The objective of this study is to investigate the role of corporate governance in the relationship between information asymmetry and earnings management. The research's objects are 32 mining companies that are listed in Indonesian Stock Exchange in 2015-2019, which have been selected by purposive sampling method. Data were analyzed using multiple regression analysis. Based on the analysis, results show that Board of Commissioners' size does not have influence on the relationship between information asymmetry and earnings management. Meanwhile, Audit Committee's size weakens the effect of information asymmetry on earnings management.

Keywords: information asymmetry; earnings management; corporate governance; board of commissioner; audit committee

INTRODUCTION

Management plays an important role in a company, both for internal parties and for external parties. Management is responsible for displaying the best performance of the company and providing financial statements for all parties with an interest in the company's accounting information. The parameter in estimating or assessing the management's performance of the company owner is earnings information.

Earnings information is a very important basis for shareholders in making decisions, especially in the business world. Good earnings will attract the investors' attention. This earnings information can be obtained through the company's annual financial statement, which are the main source of information about the company's financial condition and performance, which is important in making the best decisions for the company. Hassani & Taheri (2012) wrote that one of the effective factors in decision making is to access relevant and accurate information. When the information has benefits for the wearer it can be referred to as relevant information. Meanwhile, accurate information means that the information is attached truthfully without any errors, and not biased so as not to mislead the reader. In order to be able to provide relevant and accurate information, the

financial statements must be able to describe the company's financial position and performance fairly, that is, in a true state without any manipulation such as earnings management.

The importance of earnings information opens opportunities for company management to carry out earnings management. This is because good or bad company performance will have an impact on the company's market value and control investors' attention in its investment strategy, such as investing and attracting capital. According to Jafari Seresht et al. (2015), the main motivation of earnings management is to control investor perceptions. This is because the ability of investors to assess the extent to which managers perform earnings management may not be perfect (Cormier et al., 2013).

Purwanti & Kurniawan (2013) explain that earnings management is a policy in corporate accounting taken by management which is based on accounting standards and can naturally increase its usefulness and market value. Abad et al. (2016) argued that through manager's discretion in applying accounting standards and by changing the timing or arrangement of real transactions, earnings management can be achieved. According to Richardson (2000), earnings management can also occur when shareholders are unable to monitor managers' actions, mainly because of a lack of

resources, incentives, and adequate access to relevant information. Meanwhile, Beatty & Harris (1999) argues that earnings management can arise from 2 controls, namely problems within the company, and most importantly, information asymmetry.

According to Lasdi (2013), the occurrence of information asymmetry between investors and management can lead to earnings management practices. Information asymmetry can be defined as a situation where managers can access company information that cannot be accessed by other parties outside the company. According to Harahap (2017), information asymmetry can occur because the information provided by managers is different from the actual conditions of the company, so it is widely used to maximize company utility. In addition, most companies are also unwilling to disclose all detailed information (Kanagaretnam et al., 2007). Problems will arise when information asymmetry occurs, which opens up opportunities for managers to prioritize their own interests over those of shareholders. This is due to the company's shareholders handing over authority over the management of the company to the manager. As a result, management has complete control over the company. In addition, the amount of information asymmetry can affect the level of earnings management. When information asymmetry is high, stakeholders do not have the information necessary to see what is being manipulated (Veronica & Bachtiar, 2005).

Based on several previous studies, it can be seen that the phenomenon of earnings management appears when there is information asymmetry between investors and management. Research from Richardson (2000) proves that the greater the information asymmetry that occurs between management and investors, the greater the possibility of companies implementing earnings management. In addition, several other studies also argue that information asymmetry has a positive and significant effect on earnings management (Amin & Jasman, 2017; Fitriana & Febrianto, 2017; Fitriyani et al., 2018; Machdar et al., 2017; Nuryaman, 2014; Roudaki. & Babajani, 2016). Contrary to previous studies, it was also found that the higher the level of information asymmetry, the lower the level of earnings management (Dai et al., 2013; Ermaya & Astuti, 2018; Kusumaningtyas et al., 2019; Kusumawati et al., 2013; Rahman et al., 2013; Wildarman et al., 2015; Wiryadi & Sebrina, 2013).

The results of several conflicting studies are thought to be caused by the existence of other variables, namely corporate governance (Roudaki & Babajani, 2016). According to Ermaya & Astuti (2018), a set of regulations that explain the relationship between shareholders, management, creditors, government, employees, as well as internal and external stakeholders, based on their rights and responsibilities, their respective roles can be interpreted as corporate governance. Watts et al. (2003) argue that corporate governance is a method that functions to monitor management behavior so that it can limit opportunistic behavior. With the existence of corporate governance, companies can act as a protection for shareholders and creditors on the investment made. In addition, corporate governance is able to participate in creating a conducive environment conditions. This definitely can support effective and efficient company growth.

Good corporate governance can suppress earnings management. With the existence of good corporate governance, as the principle of a healthy company, the company is expected to increase its value and performance, and achieve company goals. The implementation of this mechanism is carried out by means of monitoring carried out by the board of commissioners and the audit committee.

Agency Theory

Agency theory is a theory that describes the contractual relationship between agent and principal. Principals, who need other parties in running their company, assign responsibility for operations to the agent. Management, as an agent, must be responsible for the implementation of the company's operations, based on an approved contract, so that the company can obtain maximum profit. In return, management will receive compensation as stated in the contract. On the other hand, the shareholder, as the principal, has the authority to control the agent's performance. This control over performance is based on the motive for developing capital.

In this study, agency theory is used to explain the relationship between information asymmetry and earnings management. In most cases, agent always has more information than principal. This indicates the existence of information asymmetry between agent and principal, due to the direct involvement of agents in the company's operations. But sometimes, the

agent's decision making is not intended to fulfill the principal's interests. Meanwhile, the principal has limitations in monitoring the agent's actions. Thus, agents have the opportunity to carry out earnings management.

Earnings Management

Scott (2015) defines that earnings management is a management action to influence earnings through accounting policies (accruals), or real actions, to achieve certain objectives of earnings reporting. There are two ways for manager to intervene in company profits. First is by using accounting policies (accruals), by applying different accounting policies. Second, is to intervene by using real actions, where management changes real business transactions. This study focuses on accrual-based earnings management

Information Asymmetry

According to Scott (2015), information asymmetry occurs when only certain parties in a business transaction have information advantages over other parties, or there are actions that other parties cannot observe. There are two kinds of information asymmetry. The first is adverse selection, where there is superiority of information that is only owned by one or several parties, compared to other parties. Adverse selection can arise when parties, such as managers and other internal party of the companies, have superior information about the current state of the company and the company's future opportunities compared to external parties. There are many ways to take advantage of having superior information, for example, managers may behave biased toward investors, or delay and selectively release information early to only the desired investor. Tactics like this are considered detrimental, because they increase investors' concern about favoritism and increase investors' caution when buying shares, and cause the function of the capital market to not function properly. The second is moral hazard, where one or more parties to the contract can monitor their behavior in fulfilling the contract, but the other party cannot. This type of information asymmetry is due to the fact that most of the companies characterized by separation of ownership and control within the company. Shareholders may not observe directly how the efforts and efforts of the management. This can

make managers tempted to blame declining performance inside the company on other uncontrollable factors, or to fake company earnings to cover them up.

Corporate Governance

Corporate governance is a process or mechanism regulated through company policies to ensure that company management is carried out in accordance with company goals (Suryanto & Grima, 2018). The management of the company itself consists of the relationship between managers, directors, board of commissioners, auditors and shareholders, because each of these stakeholders plays an important role in ensuring the achievement of Good Corporate Governance. Important principles in the creation of Good Corporate Governance are transparency, accountability, fairness, and responsibility. Fuerst in Veronica & Bachtiar (2005) suggests that companies that implement the principles of Good Corporate Governance have a more effective monitoring mechanism. With effective monitoring, operational efficiency and company value will increase. With Good Corporate Governance, actions that are only concerned with the interests of one party, such as earnings management, can be minimized. In this study, the measurement of Corporate Governance is focused on the size of the board of commissioners (BOCSIZE) and the size of the audit committee (ACSIZE) as the important keys in achieving Good Corporate Governance.

Board of Commissioners' Size

According to Zehnder (2000), the board of commissioners acts as a guarantor for the implementation of company programs, supervises the management of the company which is carried out by management, and ensures that accountability runs. The board of commissioners also plays a role in monitoring the effectiveness of the implementation of Good Corporate Governance to minimize manipulation of financial statements, such as earnings management. Shareholders are the parties who will evaluate the annual performance of the board of commissioners at the General Meeting of Shareholders (GMS) through an assessment of the duties, powers and obligations of the board of commissioners.

In this study, what is meant by the size of the board of commissioners is the total number of members of the board of commissioners. Members

of the board of commissioners consist of experts who are appointed at the General Meeting of Shareholders (GMS) according to their competence, where members are required to come from the internal board of commissioners, as well as the independent board of commissioners. Chtourou et al (2001) explain that the management monitoring mechanism in the company will increase along with the size of the board of commissioners, so that the company's financial performance can also increase. In addition, with the increasing number of members of the board of commissioners, the scope of expertise that needs to be mastered will increase.

Audit Committee's Size

The audit committee was formed as a party that plays a role in easing the burden on the board of commissioners when carrying out its duties and responsibilities, especially those related to company accounting policies, internal control, and financial reporting systems (Utama, 2004). According to agency theory, good quality supervision can reduce management opportunities to manipulate. With effective supervision, the level of earnings management will decrease.

In this study, what is meant by the size of the audit committee is the total number of members of the audit team. OJK Regulation No. 55 / POJK / 2015 chapter 1 article 4 stipulates that the audit committee has a minimum of three members, consisting of the independent board of commissioners and the company's external parties. Ayemere & Elijah (2015) stated that the larger the size of the audit committee, the more diverse views and expertise the company will have to ensure the effectiveness of supervision. This is because each member has a different view and expertise from other members.

The Relationship between Information Asymmetry and Earnings Management

Agency theory tells the contractual relationship between agent and principal. Since the principal is not able to run his own company, the shareholder, as the principal, leaves the operational responsibility of the company to management, as the agent. In addition, shareholders also assign decision-making responsibility to management. Financial decisions taken by management will cause differences in opinion, priorities, and goals for management and shareholders. The existence of information asymmetry also increases the

opportunity for management to achieve its own interests.

Information asymmetry arises when more company information owned by management surpasses shareholders and other stakeholders. The occurrence of this information gap can encourage and open opportunities for management to carry out earnings management, to maximize its utility and benefit management. This is done solely so that the condition of the company looks good, because the condition of the company is used as a reference or basis for investors to make decisions.

Other studies have found that information asymmetry has a positive effect on earnings management (Amin & Jasman, 2017; Fitriana & Febrianto, 2017; Fitriyani et al., 2018; Machdar et al., 2017; Nuryaman, 2014; Roudaki & Babajani, 2016). This means that the greater the information asymmetry, the greater the tendency for the company to be not monitored, leading to high earnings management. Based on the description above, this study proposes the following hypothesis. H₁: Information asymmetry has a positive effect on earnings management

The Relationship between Information Asymmetry, Board of Commissioners' Size and Earnings Management

Agency Theory states that information asymmetry can lead management to perform earnings management. To reduce this, companies need to carry out good corporate governance. The board of commissioners can be used as a measurement criterion for good corporate governance. Based on agency theory, the highest internal control mechanism is under the control of the board of commissioners, whose role is to oversee the performance of company management. Effective board of commissioners supervision can close the opportunities for management to carry out earnings management.

The size of the board of commissioners is believed to be a basic aspect of good supervision. The greater the size of the board of commissioners, the better the supervisory mechanism will be, thereby reducing management's opportunities for earnings management. In addition, the larger the size of the board of commissioners, the greater the scope of expertise that needs to be mastered. Research by Sumanto et al. (2014) found that board size has a negative and significant effect on earnings management. The greater the number of commissioners, the lower the effect of information asymmetry on earnings management activities. Through this, it is evident that the size of the board

of commissioners controls the company's performance. Thus, according to the description above, the researcher proposes the following hypothesis.

H₂: Board of commissioners' size weakens the effect of information asymmetry on earnings management

The Relationship between Information Asymmetry, Audit Committee's Size and Earnings Management

The greater information asymmetry, the more likely the company will not be properly monitored. Without proper monitoring, management will have the opportunity to manipulate profits. This is known as earnings management. To prevent this from happening, companies need to implement good corporate governance.

In achieving good corporate governance, a competent audit committee is required. The audit committee has several roles, first, to oversee the suitability of financial statements and the conduct of external audits. Second, to oversee the management of the company independently. Finally, to oversee the implementation of the company that has an influence on the quality of financial reports independently (Herianto, 2013). As a result of this oversight by the audit committee, management will rethink its decision in accounting policies.

The larger the size of the audit committee, the more diverse the views and expertise of the audit team will be. This is because each member has different points of view and abilities. Marsha & Ghozali's (2017) research states that the size of the audit committee has a negative effect on earnings management. The negative effect here means that the greater the number of audit committees, the lower the effect of information asymmetry on earnings management. This proves that the size of the audit committee plays an important role in determining the effectiveness of company performance. Based on the description above, this study proposes the following hypothesis.

H₃: Audit committee's size weakens the effect of information asymmetry on earnings management

RESEARCH METHOD

Types of moderating variables used in this study are Pure Moderators and Homologiser Moderators. It is classified as a Moderator Homologiser because the size of the board of

commissioners as a moderating variable and its interaction with information asymmetry is found to be insignificant. Meanwhile, it is classified as Pure Moderator because the size of the audit committee as the moderator variable is found to be insignificant towards earnings management, while the interaction between the size of the audit committee and the information asymmetry is found to be significant.

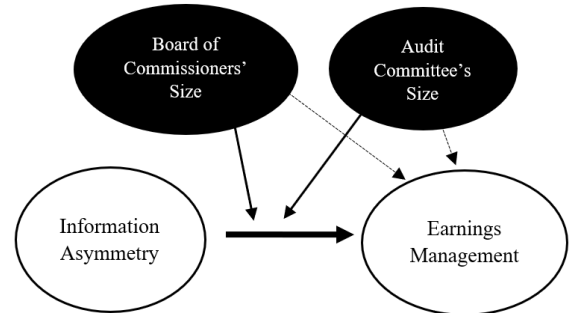


Figure 1. Data Distribution Compared Against Theoretical Normal Distribution.

The research population of this study is all 48 companies in the mining sector listed on the Indonesia Stock Exchange from 2015 to 2019. There are several companies that are not included, because it did not match the criteria of this study. This research uses the narrowing technique of purposive sampling method as shown in Table 1. The final number of samples is 32 companies.

Table 1. Sample Results

Sample Criteria	Number of Observations
1. Companies in the mining sector listed on the Indonesia Stock Exchange (IDX) in 2015-2019	48
2. Incomplete company data*	(16)
The number of observations that meet the criteria	32
Research Year	5 years
The number of samples studied	160

*some of the data needed to calculate earnings management and information asymmetry are not available

The definition of the operational variables used in this research can be seen in Table 2. This research uses the multiple linear regression analysis to determine the relationship between the independent variable and the dependent variable and is used to construct equations that can make predictions.

Table 2. Definition of Conceptual and Operational Variables

Variable	Operational Definition	Measurement Scale
Earning Management	Earnings management is measured using discretionary accruals (DA), which is the difference between total accruals (TA) and non-discretionary accruals (NDA). Non-discretionary accruals were estimated using modified jones model. $DA_{it} = TA_{it} - NDA_{it}$	Ratio
Information Asymmetry	Information asymmetry is measured using the bid-ask spread. The bid-ask spread is obtained from the difference between the bid price and the ask price, divided by the average bid price and ask price. The bid-ask spread is then divided by the number of trading days in a year to get an annual calculation. $SPREAD = \frac{\sum_{t=1}^n \frac{ASK_{i,t} - BID_{i,t}}{(ASK_{i,t} + BID_{i,t})/2}}{n}$	Ratio
Board of Commissioners' Size	Number of commissioners $BOCSIZE_{it}$ = number of members of the board of commissioners	Ratio
Audit Committee's Size	Number of audit committee $ACSIZE_{it}$ = number of members of the audit committee	Ratio

Hypotheses on this research are demonstrated through the research equation:

$$(1) EM_{it} = \alpha + \beta_1 IA_{it} + \beta_2 BOCSIZE_{it} + \beta_3 ACSIZE_{it} + \beta_4 BOCSIZE_{it} * IA_{it} + \beta_5 ACSIZE_{it} * IA_{it} + \epsilon_{it}$$

Whereas:

EM_{it} = earnings management of company i in period t
 α = constant
 $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ = variable regression coefficient
 IA_{it} = information asymmetry of firm i in period t
 $BOCSIZE_{it}$ = size of the board of commissioners i in period t
 $ACSIZE_{it}$ = size of audit committee i in period t
 $\beta_4 BOCSIZE_{it} * IA_{it}$ = interaction of board size i in period t with

information asymmetry i in period t

$\beta_5 ACSIZE_{it} * IA_{it}$

= interaction of audit committee size i in period t with information asymmetry i in period t
 ϵ_{it} = error i in period t

RESULTS AND DISCUSSION

Descriptive Statistic Analysis

The following is a big picture related to this research, namely information asymmetry, earnings management, the number of commissioners and the number of audit committees presented in the form of descriptive statistical data:

Table 3. Descriptive Statistics

Variable	N	Mean	Median	S.D.	Min	Max
EM	160	0,0809	0,0562	0,0826	0,000265	0,472
IA	160	0,277	0,0145	0,540	0,000277	1,98
BOCSIZE	160	4,60	5,00	1,66	2,00	10,0
ACSIZE	160	3,14	3,00	0,469	2,00	4,00
BOCSIZEIA	160	1,11	0,0616	2,41	0,000831	12,0
ACSIZEIA	160	0,844	0,0424	1,70	0,000831	7,44

From the data contained in the table 3 above, there are 160 samples with 6 variables, namely information asymmetry (IA), board size (BOCSIZE), audit committee size (ACSIZE), interactions between board size and information asymmetry (BOCSIZE*IA) and interactions between audit committee size with information asymmetry (ACSIZE*IA).

Based on the data above, it can be seen that the average value (Mean) of the EM variable of the company under study is 0.0809, which shows the difference between the company's total accruals and the NDA of 8.09% of the total assets of the previous year. Meanwhile, the middle value (Median) is 0.0562 or 5.62%. For the standard deviation value (S.D.) is 0.0826 or 8.26%. Then for the minimum EM value of 0.000265 or 0.03% which is data from the company Indika Energy Tbk. (INDY) in 2018. Meanwhile, the maximum EM value is 0.472 or 47.2%, which is the data from Mitra Investindo Tbk. (MITI) in 2019.

For information asymmetry data, the mean value of the IA variable of the companies under study is 0.277, which shows the difference between the ask and bid of 27.7% percent of the average ask and bid. For the median IA value of

0.0145 or 1.45%. Meanwhile, the standard deviation value is 0.540 or 54%. Then the minimum IA value is 0.000277 or 0.03% which belongs to the company Golden Eagle Energy Tbk. (SMMT) in 2017. As for the maximum IA value of 1.98 or 198% which belongs to the company Energi Mega Persada Tbk. (ENRG) in 2016.

From the BOCSIZE variable data, it can be seen that the mean value is 4.60, or close to 5 people. The median value is 5 people and the standard deviation value is 1.66. Then, BOCSIZE has a minimum value of 2 people which belongs to the company PT Astrindo Nusantara Infrastruktur Tbk. (BIPI) in 2016, SMR Utama Tbk. (SMRU) in 2015-2019, Ratu Prabu Energi Tbk. (ARTI) in 2015-2019, Mitra Investindo Tbk. (MITI) in 2018, and Perdana Karya Perkasa Tbk. (PKPK) in 2019. Meanwhile, the maximum BOCSIZE value of 10 people belongs to the company Vale Indonesia Tbk. (INCO) in 2015-2017.

In the ACSIZE variable data, it can be seen that the mean value is 3.14 or close to 3 people. Then the median value is 3 people, and the standard deviation value is 0.469. Furthermore, for the ACSIZE minimum value of 2 people is data from the company PT Astrindo Nusantara Infrastruktur Tbk. (BIPI) in 2016, Atlas Resources Tbk. (ARID) in 2015, Ratu Prabu Energi Tbk. (ARTI) in 2015, Citatah Tbk. (CTTH) in 2016-2018, and Mitra Investindo Tbk. (MITI) in 2016 and 2019. Meanwhile, the maximum ACSIZE value of 4 people is data from Bumi Resources Tbk. (BUMI) in 2017-2019, Vale Indonesia Tbk. (INCO) in 2016-2019, Aneka Tambang Tbk. (ANTM) in 2015-2019, PT Astrindo Nusantara Infrastruktur Tbk. (BIPI) in 2017-2019, Bukit Asam Tbk. (PTBA) in 2015 and 2017-2019, Bayan Resources Tbk. (BYAN) in 2017-2019, PT Timah Tbk. (TINS) in 2015-2019, and Elnusa Tbk. (ELSA) in 2015 and 2019.

For the BOCSIZE*IA variable data, the mean value is 1.11. Meanwhile, the median value is 0.0616 and the standard deviation value is 0.241. Then, the minimum value for the BOCSIZE*IA variable is 0.000831 which is the data from the company Golden Eagle Energy Tbk. (SMMT) in 2017. As for the maximum value of the BOCSIZE*IA variable is 12.00 which is the data from the company Darma Henwa Tbk. (DEWA) in 2015 and 2019.

From the ACSIZE*IA variable data, the mean value is 0.844. Meanwhile, the median value is 0.0424 and the standard deviation value is 1.70. Then, the minimum value for the ACSIZE*IA variable is 0.000831 which is the data from the

company Golden Eagle Energy Tbk. (SMMT) in 2017. Whereas the maximum value of the ACSIZE*IA variable is 7.44 which belongs to the company Bayan Resources Tbk. (BYAN) in 2016.

Panel Data Estimation Model

The first step in analyzing panel data is determining the best estimation model among the Common Effect Model, Fixed Effect Model, and Random Effect Model. To find the estimation model in question, it is necessary to perform Chow Test, Lagrange Multiplier Test and Hausman Test. Chow test is conducted to determine which model is the most suitable between the Common Effect Model and Fixed Effect Model. From the Chow test listed in Table 4, the p-value is lower than 0.05 (p-value > 0.05), which is 0.010306, so based on the Chow test, a suitable model to be used is the Fixed Effect Model.

Table 4. Chow Test

Joint significance of differing group means:

F(31, 123) = 1,83851 with p-value 0,010306

(A low p-value counts against the null hypothesis that the pooled OLS model is adequate, in favor of the fixed effects alternative.)

Furthermore, a second test is needed, namely the Hausman Test. This test is used to find out which model is the most suitable between the Fixed Effect Model and the Random Effect Model. From Table 5, the Random Effect Model results are obtained. This result was obtained because the p-value obtained from the Hausman test was greater than 0.05 (p-value > 0.05), which was 0.277561. Because the results are different from the Chow Test and the Hausman Test, a third test is necessary. This test is the Lagrange Multiplier Test.

Table 5. Hausman Test

Hausman test statistic:

H = 6,30612 with p-value = prob(chi-square(5) > 6,30612) = 0,277561

(A low p-value counts against the null hypothesis that the random effects model is consistent, in favor of the fixed effects model.)

In determining the right model between the Common Effect Model and the Random Effect Model in panel data, it is necessary to test the Lagrange Multiplier. Based on Table 6 below, a p-value of 0.0302346 is obtained. This shows that the

p-value is less than 0.05 (p-value <0.05), so the Random Effect Model is obtained.

Table 6. Lagrange Multiplier Test

Breusch-Pagan test statistic:	
LM = 4,6959	with p-value = prob(chi-square(1) > 4,6959) = 0,0302346
(A low p-value counts against the null hypothesis that the pooled OLS model is adequate, in favor of the random effects alternative.)	

Based on the three tests above, the most suitable model for analyzing this research is the Random Effect Model.

The Feasibility Test of Multiple Linear Regression Model

The feasibility test of multiple linear regression models is carried out to state the relationship between the independent variables, namely information asymmetry on the dependent variable, namely earnings management, with the moderating variable, namely corporate governance. Through the F-Test (ANOVA), it can be seen whether or not the influence of the independent variable has been given to the dependent variable. On the other hand, the coefficient of determination (R^2) test functions to test the extent of the ability of the independent variable to describe the dependent variable, the bigger the better.

Table 7. OLS

	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-ratio</i>	<i>p-value</i>	
const	0,100739	0,0473619	2,127	0,0350	**
IA	0,232551	0,0765893	3,036	0,0028	***
BOCSize	-0,00530825	0,00484779	-1,095	0,2752	
ACSize	0,00116956	0,0167224	0,06994	0,9443	
BOCSizeIA	-0,00191749	0,00728226	-0,2633	0,7927	
ACSizeIA	-0,0726438	0,0255664	-2,841	0,0051	***

Mean dependent var	0,080947	S.D. dependent var	0,082595
Sum squared resid	0,994222	S.E. of regression	0,080349
R-squared	0,083393	Adjusted R-squared	0,053633
F(5, 154)	2,802192	P-value(F)	0,018819
Log-likelihood	179,4473	Akaike criterion	-346,8946
Schwarz criterion	-328,4436	Hannan-Quinn	-339,4023
rho	0,089793	Durbin-Watson	1,167096

Through Table 7 above, the result of the coefficient of determination (R^2) is 0.053633 which is shown by the Adjusted R-Square. The resulting figure shows that the variable information asymmetry (IA), board size (BOCSize), audit committee size (ACSize), the interaction between board size and information asymmetry (BOCSize*IA) and the interaction between audit committee size and information asymmetry (ACSize*IA), which is an independent variable in this study is only able to describe 5.36% earnings management as the dependent variable. While the remaining 94.64% is influenced by other variables that are not tested in this study.

Then the F-Test results display a value of 0.018819. These results indicate a p-value <0.05, which means that the significance value is smaller than 0.05. Thus, these results conclude that all independent variables used in the regression model, namely information asymmetry (IA), board size (BOCSize), audit committee size (ACSize), interactions between board size and information asymmetry (BOCSize*IA) and interaction between the size of the audit committee and information asymmetry (ACSize*IA), is able to influence the dependent variable, namely earnings management (EM) and is suitable for use in research.

Hypothesis Test

Table 8. t Test

	<i>Coefficient</i>	<i>Std. Error</i>	<i>z</i>	<i>p-value</i>	
const	0,125365	0,0531404	2,359	0,0183	**
IA	0,192528	0,0752327	2,559	0,0105	**
BOCSize	-0,00431570	0,00532230	-0,8109	0,4174	
ACSize	-0,00772243	0,0182502	-0,4231	0,6722	
BOCSizeIA	-0,00124430	0,00810700	-0,1535	0,8780	
ACSizeIA	-0,0619298	0,0253649	-2,442	0,0146	**

Mean dependent var	0,080947	S.D. dependent var	0,082595
Sum squared resid	0,997641	S.E. of regression	0,080227
Log-likelihood	179,1727	Akaike criterion	-346,3454
Schwarz criterion	-327,8943	Hannan-Quinn	-338,8530
rho	-0,193259	Durbin-Watson	1,661344

The results of the hypothesis test show whether there is a relationship between the independent variable and the dependent variable. This relationship is reflected in the p-value significance level. A p-value less than 0.05 (p-value <0.05) indicates that the independent variable has a significant effect on the dependent variable. The direction of the relationship between the independent variable and the dependent variable will be reflected in the coefficient. When the coefficient is positive, there is a positive relationship between the independent variable and the dependent variable. Conversely, when the coefficient is negative, this indicates that the relationship between the independent variable and the dependent variable is negative. According to this study, the size of the audit committee was found to have a significant effect in weakening the relationship of information asymmetry on earnings management. Therefore, companies need to be more open in disclosing information to the audit committee, involve the audit committee more in company activities, and improve the quality of audit questions addressed to management. Thus, audit quality will improve so as to reduce the occurrence of information asymmetry that opens up opportunities for earnings management. In addition, companies also need to appoint a board of commissioners who have the necessary competencies to supervise company management.

Based on Table 8, the IA variable has a positive coefficient with a p-value of 0.0105. These numbers and coefficients conclude that information asymmetry has a positive and significant effect on earnings management. The second variable, namely BOCSIZE has a negative coefficient with a p-value of 0.4174, so it can be concluded that the size of the board of commissioners has no role in weakening the relationship of information asymmetry on earnings management. The third variable, ACSIZE has a negative coefficient with a p-value of 0.6722, so the size of the audit committee also has no significant effect in weakening the relationship of information asymmetry to earnings management. BOCSIZE*IA has a negative coefficient with a p-value of 0.8780, so that the

interaction between board size and information asymmetry has no significant effect in weakening the effect of information asymmetry on earnings management. The last variable is ACSIZE*IA, which shows a negative coefficient with a p-value of 0.0146, so that the interaction between audit committee size and information asymmetry has a significant effect in weakening the effect of information asymmetry on earnings management.

CONCLUSION

To determine the role of corporate governance, especially the size of the board of commissioners and the size of the audit committee in influencing the relationship of information asymmetry on earnings management, this research is conducted in a structured manner. In this study, researchers used a sample of 32 companies in the mining sector listed on the Indonesia Stock Exchange (BEI) in 2015-2019. The amount of data observed was 160 samples.

Based on the analysis that has been carried out and the discussion that has been described, the researcher concludes the research results: The hypothesis H1 is accepted, because this study found that information asymmetry has a positive and significant effect on earnings management; The hypothesis H2 is rejected, because this study found that board size has no significant effect in moderating the effect of information asymmetry on earnings management; The hypothesis H3 is accepted, because after analysis, the researcher finds that the size of the audit committee has a significant effect in weakening the effect of information asymmetry on earnings management.

This research has limitations. In this study, the limitation in this study is the number of samples that can be studied, namely only 32 companies out of 48 mining sector companies listed on the IDX in 2015-2019. This is because the data that are needed in this study, such as daily bid and ask, net income, revenue, receivable, and other company data are incomplete, therefore calculations cannot be carried out in the research.

This research also has suggestions for future study. Based on the results of this study, the size of the board of commissioners is found to have no effect in weakening the relationship between information asymmetry and earnings management. Therefore, researchers suggest the use of another variable, namely the frequency of board meetings. This

variable is chosen due to whether meetings are often held or not is an important factor in the monitoring activities of the implementation of the functions and responsibilities of the board of commissioners. Meanwhile, for the company, according to this study, the size of the audit committee was found to have a significant effect in weakening the relationship of information asymmetry on earnings management. Therefore, companies need to be more open in disclosing information to the audit committee, involve the audit committee more in company activities, and improve the quality of audit questions addressed to management. Thus, audit quality will improve so as to reduce the occurrence of information asymmetry that opens up opportunities for earnings management. In addition, companies also need to appoint a board of commissioners who have the necessary competencies to supervise company management.

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