The Effect Of Earnings Management And Disclosure On Information Asymmetry

Meilani Purwanti, Aceng Kurniawan

ABSTRACT: This research aims to provide empirical evidence about the effect of earnings management and disclosure on information asymmetry. This research was conducted using a population of public sector property companies, real estate and building construction in Indonesia Stock Exchange. Samples were selected based on the following criteria: (1) registered as property companies, real estate and building construction, (2) has a complete financial statement information, (3) the financial statements are expressed in dollars, and (4) have publish financial statements. Data analysis was conducted using data polled cross-section that includes 37 property companies, real estate and building construction and financial statement. Earnings management is measured by working capital accruals, measured by an index voluntary disclosure, and information asymmetry measured by abnormal returns. Hypothesis testing is done using path analysis. The result provide empirical evidence that: (1) earnings management does not affect the information asymmetry, (2) disclosure and significant negative effect of the information asymmetry, (3) the total effect of earnings management and disclosure of the information asymmetry is at 78%.

Keywords: Earnings management, Disclosure, Information Asymmetry

INTRODUCTION
The capital market is a meeting place between parties who have surplus funds to those who need the funds by way of trade in securities (Eduardus, 2003:13) [8]. The capital market has become an alternative investment for investors and prospective investors. In Indonesia, the new capital market boom in 1995. Every company is required to enter the capital markets open up. The firm should be willing to open up all sorts of information needed investors. Function of the capital markets will work well or not, will depend on the quality of information available in the capital market. If the information is not accurate, then the stock market would be tantamount to place gambling (gambling house). Investment decision by investors is determined by expectations of the future on the level of success of a business. Investors are willing to invest their fund when they consider such investments have favorable prospects. Profit expected by investors not only from capital gains, but they also expect the dividend as the reciprocal of an investment. However, these benefits can only be provided by a company that a good performance. Ideally the stock market can be a forum for the fair share mechanism. But a fair share transactions is difficult to achieve because of a conflict of interest and lack of transparency in the issuer’s financial statements. (Baepam-LK, 2008; 104)Conflict of interest transaction is a transaction where there is a difference between the economic interests of the issuer / public companies with the personal economic interests of Directors, and the commissioner or the shareholders of the company. Theories relating to conflicts of interest between the manager and the owner called Agency theory.

According to Jensen and Meckling (1976) [14] agency problem arises because of a conflict of interest between shareholders and managers, because no convergence between the maximum utility that acts as an agent manager and the owner as a principal. As the agent is morally responsible managers to optimize profits for the owners (principal), but the other managers also have an interest in maximizing the welfare of their own, so there is most likely agent does not always act in the best interests of the principal. As a manager of managers shall provide a signal about the state of the company to the owner. Given signal can be done through disclosure (disclosure) of accounting information such as financial statements. However, sometimes the information submitted is not acceptable according to the actual condition of the company. This condition is known as asymmetric information or information asymmetry, which is a condition where there is an imbalance between the acquisition of information management as a provider of information to the shareholders and stakeholders in general as the user information (user), Accounting information presented in the financial statements is one of the main information that can be accessed by investors, creditors and shareholders to assess the performance of fund managers to manage the company. In preparing the financial statements, accrual basis chosen because it is more rational and fair in reflecting the real financial condition of the company, but on the other hand uses the accrual basis may provide more flexibility to the management in selecting the method of accounting for not deviate from the rules of the Financial Accounting Standards applicable. Choice of accounting methods that are deliberately selected by management for a particular purpose known as earnings management or earnings management. Sometimes the manager can only do earnings management practices (earnings management) for specific purposes. If a condition where the management did not succeed in achieving specified profit targets, then the management will take advantage of the flexibility allowed by accounting standards in preparing financial statements to modify the reported earnings. Management is motivated to show good performance in generating value or the maximum profit for the company so that management tends to select and apply accounting methods can provide better profit.Earnings management, these days is a

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common phenomenon that occurs in the company. Practice is done to affect earnings numbers can occur legally and illegally. Legal practices in management income means that efforts to influence the earnings numbers do not conflict with the rules of financial reporting in Accounting Principles Thinking General (GAAP), especially in the Accounting Standards, that is by taking advantage of opportunities for making accounting estimates, accounting method changes, and shifts period income or expense. Lobo and Zhaou (2001:1) [19] investigated the relationship disclosure quality of financial statements with management earnings. This research study on two issues: (1) the existence of empirical evidence about the relationship disclosure information asymmetry, and (2) the relationship of earnings management with information asymmetry. Based on these two issues Lobo hypothesized a negative relationship between disclosure quality and level of earnings management. The conclusion is support (accept) the hypothesis, meaning that the better the quality of the disclosure will result in reduced profit management. Julia Caramel (2005:128) [16] conducted a research with the title of the effect of earnings management on the level of disclosure of financial statements. Results of research conducted in 34 manufacturing companies that are included in the LQ-45 index looked perform earnings management. In looking at the relationship with a earnings management earnings management disclosure index turned positive significant effect on the level of disclosure of financial statements. In contrast, the level of disclosure of a significant negative effect on earnings management. The negative coefficient indicates that the lower the level of disclosure will increase the opportunities for managers to act in line with the perspective of earnings management opportunistic behavior (Opportunistic Earnings Management). If managers do earnings management for opportunistic purposes such as to maximize personal bonus, then managers tend to do minimal disclosure of information asymmetry in order to create conditions so that the manager more flexibility to conduct earnings management without fear of being detected. Research Richardson (1998) [22] showed a positive relationship between information asymmetry with earnings management. Management can improve corporate value through additional disclosure in the financial statements but increased financial statement disclosure will reduce the information asymmetry that management opportunities to the less earnings management. Of various description above it can be concluded that the behavior and the quality of investor decisions are influenced by the quality of information is expected. Quality information is useful for investors to reduce information asymmetry and earnings management. When there is information asymmetry, managers can provide a signal about the state of the company to investors in order to maximize the value of the company. Given signal can be done through the expression (disclosure) of accounting information. Management will utilize information voluntarily if the benefits of such disclosure is greater than the costs.

LITERATURE REVIEW AND HYPOTHESES
Capital markets in general can be interpreted as the market traded fund products in the form of abstract. Meanwhile, in the form of concrete, products are bought and sold in the capital markets in the form of sheets of securities on stock exchanges. Stock exchanges in the true sense is an organized system with formal mechanism to bring together sellers and buyers of securities directly or through their representatives. According Eduardus (2007:13) [8] The capital market is a meeting between the parties who have surplus funds to those who need the funds by way of trade in securities. Thus the capital market can also be interpreted as a market to trade in securities generally have a lifespan of more than one year, such as stocks and bonds, while places where the sale and purchase of securities referred to the stock exchange.

Earnings Management
Scott (2006:343) [25] defines earnings management as follows: "Given that managers can choose from a set of accounting policies (for example, GAAP), it is natural to expect that they will choose policies so as to maximize their own utility and / or the market value of the firm ". From the definition of earnings management is the selection of accounting policies by the manager of the existing accounting standards and are naturally able to maximize their utility and or the market value of the company. Scott (2006:343) [25] understanding of how to divide into two earnings management. First, managers see it as opportunistic behavior to maximize utility in the face of compensation contracts, debt contracts, and political costs (Opportunistic Earnings Management). Secondly, in view of earnings management from the perspective of efficient contracting (Earnings Efficient Management), which gives managers an earnings management flexibility to protect themselves and the company in anticipation of events unexpected to gain the parties involved in the contract. Thus, managers can influence the value of its stock market through earnings management, for example by making the smoothing earnings (income smoothing) and earnings growth over time. The manager has the flexibility to choose among several alternative ways of recording transactions as well as selecting the options that exist within the same accounting treatment. This flexibility, which is intended to allow managers to adapt to a variety of economic situations and describe the real economic consequences of the transaction, can also be used to affect the level of income at a certain time in order to provide benefits to management and stakeholders (stakeholders). Belkaoui (2006:74) [4] defines earnings management as the ability to "manipulate" the options available and make the right choices in order to achieve the expected level of profit. This is another example of the striking designed accounting. Various definitions have been given in explaining earnings management as a specialized form of accounting that is "designed" and not "based on the principle of" Schipper in Belkaoui (2006:75) [4] view earnings management as a deliberate intervention in the external reporting process with the intent to obtain a personal benefit . It is assumed to be done through the selection of accounting methods in GAAP or by applying the methods specified in certain ways. Schipper also see good earnings management from the point of view of economic profit (real) or from an
informational point of view. Earnings perspective assumes the presence of (a) the existence of a real economic profit is distributed using a deliberate earnings management and or using measurement errors contained in the accounting rules and (b) income chaotic and yet managed, which is obtained from new properties of earnings management both in terms of the amount of bias or its variants. While the informational point of view assumes that (a) the income is one of the signals used for judgment and decision making, and (b) the manager has private information that they can use when they select the elements in a collection of GAAP to various contracts that will determine conversation and their behavior. Earnings management behavior can be explained through the Positive Accounting Theory (PAT) and Agency Theory. Three hypotheses that PAT can be used as the basis for understanding the earnings management measures formulated by Watts and Zimmerman (1990:145) [36] are:

a. The Bonus Plan Hypothesis In companies that have a bonus plan, company managers will prefer this method of accounting which can shift profits from the future into the present so as to increase profits today. This is because managers prefer higher wages to the present. In the bonus contracts are two terms that bogey (the lowest income level to get bonus) and the cap (the highest income level). If earnings are under bogey, no bonus is earned while the manager if earnings are above the cap, the manager will not receive an additional bonus. If the net income is under bogey, managers tend to reduce profits in the hope of obtaining a bigger bonus at the next period, as well as if earnings were above the stamp. So only if net income is between bogey and cap, the manager will try to raise the company’s net profit.

b. The Debt to Equity Hypothesis (Debt Covenant Hypothesis). At companies that have a high ratio of debt to equity, corporate managers tend to use accounting methods that can increase revenue or profit. Companies with debt to equity ratio is high will have difficulty in obtaining additional funding from the creditors even threatened the company violated debt covenants.

c. The Political Cost Hypothesis (Hypothesis Size) In larger companies that have a high political cost, managers would prefer to suspend the accounting method reported earnings of the current period to future periods so as to minimize reported earnings. Political costs that arise due to the high profitability of the company can attract the attention of the media and consumers.

Agency theory has assumed that each individual is solely motivated by self-interest, giving rise to a conflict of interest between principal and agent. As the principal shareholder entered into a contract to maximize the welfare of himself with an ever-increasing profitability. Manager as agent motivated to maximize the economic and psychological needs, among others, in terms of acquiring investments, loans, and contracts compensation. Agency problems arise because of the opportunist behavior of the agent, is behavior management to maximize their own welfare as opposed to the interests of the principal. Managers have incentives to select and apply accounting method that can show a good performance for the purpose of getting bonus of principal. Mentioned above definition focuses on application consideration in the financial statements a) to mislead stakeholders who do not or can not perform earnings management, and b) to make the financial statements to be more informative for users. Therefore, there are good and bad sides of earnings management: a) the downside is the cost that is created by the misallocation of resources, and b) The good side is the potential for increased management credibility in communicating personal information to external stakeholders, and improve decision in resource allocation Belkaoui (2006:76)[4].

Disclosure
Financial report is a communication medium that is used by companies to conduct management to outside parties. Quality communication is achieved will depend on the quality of financial reporting. To support the achievement of the good quality of the financial statements, it is necessary to have rules (regulations) are made by the (board of standard setters) and the government. Complete set of financial statements in accordance with Statement of Financial Accounting Standards (SFAS) 1 consists of the components: a) Balance Sheet, b) the income statement; c) Statement of changes in equity; d) statements of cash flows, and e) statements finance. The financial statements should be adopted SFAS correctly with the required GAAP disclosures in the notes to the financial statements. Other information remains undisclosed to produce a reasonable representation, although such disclosure is not required by accounting standards (SFAS 1, par.10) In addition to the notes to the financial statements, the company (management) is also recommended to provide “additional information‖ which encouraged additional information includes: 1) financial research paper describes the main characteristics that affect the performance of the company, 2) the company’s financial position; 3) uncertainty; 4) report on the environment, and 5) report value added (SFAS 1, Par 08 and 09). Of SFAS sources it can be concluded that: 1) Notes to the financial statements is a disclosure required by accounting standards. 2) Additional Information is an expression that is recommended (not required and treated in order to provide fair presentation and relevant to the needs of users. In addition, the term disclosure in the audit related to science in general-purpose audit. Purpose of the audit of financial statements is to express an opinion on the fairness of the financial statements, in all material respects, in accordance with generally accepted principles in Indonesia. Fairness of the financial statements assessed based assertions contained in each element presented in the financial statements. Assertions is a management statement contained in the components of the financial statements. The statement may be implicit or explicit. Management’s assertions presented in the financial statements can be classified on the basis of the following classifications:

1. Existence and occurrence
Assertions about the existence and occurrence associated with whether assets or debts entities exist on a given date and whether recorded transactions have occurred during a particular period.
2. Completeness
Assertions about completeness associated with whether all transactions and account that should have been presented in the financial statements.

3. Rights and obligation
Assertions about the rights and obligations associated with the assets if the company is a right and a debt obligation of the company on a particular date.

4. Valuation or allocation
Assertions about valuation or allocation associated with whether the components of assets, liabilities, revenues and expenses are included in the financial statements in the proper amount.

5. Presentation and disclosure
Assertions about presentation and disclosure relating to whether certain components of financial statements is classified, described, and disclosed accordingly.

How much information should be disclosed not only rely on the expertise of the reader, but also the required standards. According to Hendriksen and Van Breda (2002:432-433) [10], there are three concepts that are generally proposed disclosure, namely:

1. Adequate disclosure
Concept that is often used is sufficient disclosure, is the minimum disclosure implied by law, in which the figures presented can be interpreted correctly by the investor.

2. Fair disclosure
Reasonable disclosure implicit in the ethical goal to give equal treatment to all users of financial statements by providing adequate information to potential readers.

3. Full disclosure
Full disclosure regarding the completeness of the presentation of the relevant information disclosed. Full disclosure has the impression of the presentation of information in abundance, so some consider it a good party. For some parties, full disclosure is defined as the presentation of information overload and therefore can not be called decent. Too much information would jeopardize, because of the detailed and important presentation it will obscure significant information makes difficult to interpret financial statements.

By Darrough (1993) the information disclosure in the annual report can be grouped into two, namely:

1. Mandatory disclosure
A minimum disclosure required by accounting standards applicable in this case is a capital market regulator Bapepam. If companies are not willing to disclose information voluntary, mandatory disclosure would force companies to disclosure it.

2. Voluntary disclosure
A disclosure of the items are made voluntary by the company without any required by regulation. One way to improve the credibility of the company is through voluntary disclosure more broadly and assist investors in understanding management’s business strategy. Extensive disclosure have evolved over time, influenced by economic development, social culture of the country, information technology, corporate ownership, and regulations issued by component authorities. Disclosure provided by management should be able to help the wearer disclosure will be tested based on conformity with the real deal.

Information Asymmetry
The issue of information asymmetry is very important to research, because accounting is a service activity function provides useful information for the purpose of making economic decisions. The resulting information should be information that can minimize information asymmetry that right decision, so that the market becomes efficient and effective resource allocation and optimal economy. Information asymmetry occurs because of differences in the acquisition of information and risk estimates between the two parties to a transaction. Information asymmetry is defined as the difference in the information held by the agent and the principal (Kaplan and Atkinson: 1998 in Brahmayanti 2006). In this case the manager acts as the agent and the owner (shareholder) to act as the principal so that as well as the manager of managers more aware of internal and prospects of the company in the future than the owner. In accordance with the definition expressed by AgusSartono (1995) [2] that information asymmetry is a condition where the manager knows the company better outlook than analysts or investors. Associated with information asymmetry is then that the term shrinking, the agent for the work done cause its private information (Brahmayanti: 2006). Ideally deviant acts committed by the agent that did not happen because the agent appointed by the principal to act on behalf of the authority (principal) and is given the power to make decisions (AgusSartono, 1995)[2]. Jensen and Meckling (1976) [14] adds that if the two groups (the agent and principal) are the ones who seek to maximize utility, then there is little reason to believe that the agent will not always act in the best interest of the principal. To limit the principal can set the right incentives for the agent and do monitor that is designed to limit the aberrant activities of the agent. One agent attempts to maximize its utility is to maximize the size of their company by way of expansion or buy other companies, because by creating a company that is large and growing rapidly, the manager will 1) improve the security of their positions, 2) improving the status, power and their salaries; 3) provide more opportunities for low-and middle-level managers. There are several specific mechanisms used to motivate managers to act in accordance with the interests of investors, among others, 1) managerial compensation, 2) direct intervention by shareholders, 3) takeover threat (Houston, 2006:26-27). Scott (2003:105)[25] suggests asymmetry of information as a condition where there are differences in the information held by capital market participants such as between managers and shareholders. Whereas according to Hartono Jogyianto (2008:508)[15] information asymmetry is the only information private
owned by investors who received information only (informed investors). There are two kinds of information asymmetry, namely:

1. Adverse Selection, namely that managers and other people in the normally know more about the state and prospects of the company than outside investors. And facts that may influence the decision to be taken by the shareholders is not submitted information to shareholders.

2. Moral Hazard, namely that the activities carried out by a manager is not entirely known to the shareholders and lenders. So that managers can take action beyond the knowledge of shareholders in violation of the contract and the actual ethics or norms may not be worth doing. Moral hazard may occur due to the separation of ownership with control that is characteristic mostly large companies.

There are several explanations that may underlie the dissemination of information asymmetry to the symmetric information, as follows:

1. Private information disseminated to the public through the official announcement of the issuer company information. This way the process happens quickly.

2. Investors who have private information will use it and after that they would be willing to sell. In this condition means that all investors will get the same information. This way is slower than if the issuer company distributing information by announcing it as the first explanation.

3. Investors who receive private information will undertake speculative action. Investors who have private information would have an incentive to transact using it to achieve the full information price.

4. Investors who do not have private information will obtain such information by observing through changes as a reflection of the information held by investors who have private information.

Based on the reviews, a research model is made as paradigm below:

**Hypothesis**

The hypothesis is based on the thoughts mentioned above, as follows:

- \( H_0: \) There is no effect of earnings management and disclosure on information asymmetry either partially or simultaneously.
- \( H_1: \) There is an effect of earnings management and disclosure on information asymmetry either partially or simultaneously.

**OBJECT AND RESEARCH METHODOLOGY**

Research object is observed variables. Based on the concept of the object of this research is earnings management, disclosure, and information asymmetry. Source of data used is the issuer’s annual financial statements. Based on the annual reports of listed companies earned profit management variables derived from the annual financial statements and voluntary disclosure variables are measured with nominal scale based on points, the disclosure of information by issuers, while variable asymmetry of information sourced from the issuer’s stock transactions. Unit of observation is the subject of research (observation unit) is property companies in Indonesia Stock Exchange. Property companies chosen in the Indonesia Stock Exchange because the company has a relatively similar expression characteristics. It is intended to maintain the consistency of financial ratios. Type of research is Descriptive verification because it describes the research variables and observes the variable relation from the hypotheses that have made systematically by statistical tests Sugiyono (2008:206)[32]. Operational variables is an act to make restriction that will be used by research to measure the variable that will be used in the analysis. Earnings management is the selection of accounting policies by the manager of the exiting accounting standards and are naturally able to maximize their utility and or the market value of the company. Scott (2006:234)[25]. Measurement of earnings management based on the residual error which is a proxy of the abnormal accrual model of Jones (1991) which has been modified by Jones et al (1995). Jones modified model assumes that all firm in net credit sales derived from earnings management. This was the reason that is easy to manage earnings by making policy through the recognition of revenue on credit sales than through cash sales. Proxy earnings management of the ratio working capital accruals to sales.

Earnings management \((ML) = \text{working capital accruals (t)} / \text{sales of period (t)}\)

\[ \text{Working capital accruals} = \Delta AL - \Delta HL - \Delta Cash \]

**Description:**

\( \Delta AL = \text{change in current assets in period t} \)

\( \Delta HL = \text{change in current liabilities in period t} \)

\( \Delta Cash = \text{change in cash and equivalents at period t} \)
Voluntary disclosure is recommended disclosure and presentation are treated in order to provide a reasonable and relevant to the needs of users PSAK No1. This variable measures how many grains of material financial statement disclosed by the company. Grains measured financial statement disclosure is voluntary disclosure items. Completeness level of voluntary disclosure in the annual report are expressed in the form of disclosure index data obtained using the criteria as stipulated in Bapepam regulations. Kep 28/PM/1996 Disclosure index calculation is done with the following procedures:

1) Give a score for each disclosure item. Where one gets the value of the item disclosed.

2) Score obtained by each firm summed to obtain a total score.

3) Calculate each company's disclosure index by dividing the total score by the expected total score.

Information asymmetry is the only private information held by the investors who received information only (informed investors) Jogianto Hartono (2008:508). Information asymmetry is measured using the abnormal return. Formula used to calculate the abnormal return is as follows:

\[ \text{RTN}_{i,t} = R_{i,t} - E[R_{i}] \]

\[ \text{RTN}_{i,t} \] : Abnormal return of securities i at period events to - t

\[ R_{i,t} \] : Return actual securities i at period event to - t

\[ E[R_{i}] \] : Return expectations of securities i at period event to - t

The research population is a generalization region consisting of: objects / subjects that have certain qualities and characteristics are determined by investigators to be studied and then drawn conclusions (Sugiyono, 2008:115)[32]. The population is listed as a property company listed in Indonesia Stock Exchange. Total population of these property companies are 49 companies. Selection of the research sample was based on purposive sampling in order to obtain a representative sample in accordance with predetermined criteria. purposive sampling is a sampling technique with specific considerations Sugiyono (2008:122)[32]. Purposive sampling technique based on the characteristics or specific traits were thought to have a close relation to the characteristics or properties that exist in the population that has been known previously. The population elements are selected as the sample is restricted to those elements which can provide information under consideration. The criteria used for the selection of the sample in this research are as follows:

1. Registered as a Company Property, Real Estate and Building Construction.

2. Has a complete financial statement information required in the research.

3. The financial statements are expressed in Euro.

4. Samples are issuers who have published financial statements.

Of the selection process, the selected 41 companies that meet the criteria to be sampled in this research.

Data collecting techniques in this research using secondary data sources. Secondary sources are sources that do not directly provide data to data collectors, such as other people or through documents Sugiyono (2008:129) [32]. While data collection techniques used in this research are with research field and research library.

RESULTS AND DISCUSSION

Result

Analysis of the data in this research using path analysis (path analysis). As for the process of analysis using Lisrel software for windows 8:30. Equations obtained from the analysis are as follows:

\[ Y = 0.01\times X_1 - 0.88\times X_2 + \text{Error var}, R^2 = 0.78 \]

To determine the effect of Earnings Management and Disclosure on Information Asymmetry as a whole, then tested F. The results are as follows:

\[ F = \frac{(n-k-1)R^2}{k(1-R^2)} \]

\[ F = \frac{(37-2-1)0.78}{2(1-0.78)} \]

\[ F = 26.52 \]

\[ F = 0.44 \]

\[ F = 60.27 \]

F values above then compared with \( F_0 \), 0.05; (34) of the F distribution table where \( F_0 \) values obtained, 0.05; (34) of 3.27 F 60.27 on the above calculation is apparently larger than the F table. Therefore we can conclude that \( H_0 \) is rejected. Or in other words, simultaneously earning management and disclosure has an influence on information asymmetry on company property, real estate and building construction in Indonesia Stock Exchange.

Conclusion Simultaneous Test

<table>
<thead>
<tr>
<th>( F_{\text{count}} ) Calculated</th>
<th>( F_{\text{table}} ) Value</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>60.27</td>
<td>3.27</td>
<td>Significant</td>
</tr>
</tbody>
</table>

From Table above shows that the calculated F value is greater than the value of F table so that the test results obtained are significant. Or in other words the effect that occurs can be generalized to the entire population of the company's property, real estate and building construction. To determine the effect of individual directly, then the t-test
should be done first. The test measures the same as the F test must first be sought from the tcount respectively earnings management and disclosure. After that the value of t is compared with the value of t table. If the value is greater than the value of t table, then the hypothesis is significant, meaning that the effect occurs can be generalized to the entire population of the company’s property, real estate and building construction in Indonesia Stock Exchange. Conversely, when the value of t is smaller than the value table, then the hypothesis is not significant, meaning that the effect occurs can not be generalized to the entire population of the corporate property, real estate and building construction in Indonesia Stock Exchange.

### Conclusion Partial Test

<table>
<thead>
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<th>$t_{\text{value}}$</th>
<th>$t_{\text{table}}$</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>$X_1$</td>
<td>0.08</td>
<td>1.691</td>
<td>Not Significant</td>
</tr>
<tr>
<td>$X_2$</td>
<td>11.08</td>
<td>1.691</td>
<td>Significant</td>
</tr>
</tbody>
</table>

From Table above shows that earnings management has no significant effect on information asymmetry, it means little if there is a change in the variable earnings management then it will not happen immediately significant change in the variable information asymmetry. Besides its influence can not be generalized to the entire population of property companies, real estate and building construction in Indonesia Stock Exchange. Whereas disclosure has a significant effect on information asymmetry, it means little if there is a change in the variable Disclosure will direct significant change in the variable information asymmetry and its influence can be generalized to the entire population.

### Direct Effect and Indirect Effect

<table>
<thead>
<tr>
<th>Variable</th>
<th>Direct Effect</th>
<th>Indirect Effect</th>
<th>Total Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>$X_1$</td>
<td>0.0001</td>
<td>-</td>
<td>0.000276</td>
</tr>
<tr>
<td>$X_2$</td>
<td>0.77</td>
<td>0.000176</td>
<td>0.77</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>0.778</td>
</tr>
</tbody>
</table>

From Table above shows that the total effect of earnings management variables to information asymmetry is equal to 0.1%. While the magnitude of the effect of total disclosure variable to information asymmetry is approximately 77%. On the basis of the above calculation, the research that could be addressed are as follows:

1. Earnings management which directly determine changes in information asymmetry is equal to 0.1% and that through a relationship with disclosure of 0.17%. Thus in total earnings management to determine the changes in information asymmetry of 0.27%.

2. Disclosure which directly determine changes in information asymmetry is equal to 77% and that through a relationship with earnings management is 0.17%. Thus in total disclosure determine changes in information asymmetry by 77%.

### Discussion

The whole testing (simultaneous) was conducted to determine whether jointly earnings management and disclosure variables are statistically significant effect on the variable information asymmetry. Hypothesis testing results indicate that earnings management and disclosure simultaneously significant effect on information asymmetry with an alpha of 5% and a significance value obtained was 60.27. The results are consistent with the results of Mandy (2005) who found no evidence of a significant effect of voluntary disclosure and earnings management to information asymmetry using an alpha level of 10%. Significant $R^2$ value that is equal to 78% indicates that earnings management and disclosure have a relatively large impact on information asymmetry. The results in this research is 78% give the sense that the independent variables simultaneously influence 78% while the remaining 22% is influenced by other factors not included in the research the macro economic conditions, political conditions and security conditions. Hypothesis testing results indicate that earnings management does not affect the information asymmetry. This implies that the decision of investors in buying shares is not affected by the presence or absence of earnings management practices undertaken by the company. Research in Indonesia, which examines the relationship of earnings management is still very little information asymmetry. Research conducted Silvia (2002) is one of the sources of the author found. The purpose Silvia (2002) is to determine whether the amount of discretionary accruals related to the level of debt, the investment opportunity set, and information asymmetry. Discretionary accruals measured using the Jones model and information asymmetry measured by the bid-ask spread. Silvia research results that used a sample of public companies on the JSE as many as 47 companies with year research period from 1995 to 1999 concluded that the information asymmetry does not affect earnings management. This conclusion is consistent with the results of the research authors. Although the same conclusions obtained, but there is a difference in determining the type of the variable. Silvia (2002) considers that the information asymmetry as the independent variables that affect earnings management. While the authors assume that earnings management as an independent variable that affects the information asymmetry. A different view is it could happen because of the condition of information asymmetry may encourage management to perform earnings management, earnings management and vice versa can also affect the information asymmetry (Richardson: 1998)[22]. Research by the author emphasizes on the economic consequences so it is quite reasonable that earnings management is treated as an independent variable that affects the information asymmetry. The results are not consistent with the findings of the authors Dechow et.al (1996)[6] may be caused by the inability of investors to detect the phenomenon of earnings

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management practices. To detect whether the company’s conduct earnings management is not easy, given that earnings management practices that do not deviate from generally accepted accounting principles allowed. Therefore, it is difficult for investors to find out if a company made a practice of earnings management or not. They only know after the competent authorities announce a violation of earnings management practices in violation of generally accepted accounting principles. Another factor that led to earnings management does not affect the information asymmetry is the thinness of stock transactions on the Stock Exchange. Stock transaction that bit indicates that the stock is not liquid, if the liquid is not the information that goes into the stock market responded less by investors. Evidence that the transaction illiquid shares on the Stock Exchange is the number of issuers whose shares are not traded. Hypothesis testing results showed that the significant effect on the disclosure of information asymmetry. This implies that the completeness of the voluntary disclosure items can reduce the information asymmetry or otherwise voluntary disclosure of incomplete items will lead to high information asymmetry. In other words, investors will find out more information about the company, if the company makes a voluntary disclosure is complete and detailed. Based on the results of testing the partial effect of disclosure on information asymmetry is at -88%. Negative in this case indicates that the disclosure has a negative and significant impact on information asymmetry. Meaning that the higher the disclosure will reduce information asymmetry and the lower the disclosure it will raise the condition of information asymmetry. The results are consistent with research conducted by Mandy (2005) who found evidence that there is a negative and significant effect of disclosure on information asymmetry in companies listed on the Jakarta Stock Exchange for the observation period 2004-2005. Results of this research also support the results of research conducted by Welker (1995:801)]34] that examined the relationship disclosure information asymmetry. According to Welker disclosure may affect the level of asymmetry, but the level of disclosure provided by management may also be influenced by the level of information asymmetry that occurs in the market. Results of this research showed a negative relationship, meaning that extensive disclosures increased, resulting in decline in asymmetry, which in turn lead to higher market liquidity and declining bid-ask spread. Quality accounting information is useful for investors to reduce information asymmetry. Information asymmetry arises when the manager is better informed on the company’s internal and prospects for the future than other stakeholders. Arise when information asymmetry, disclosure decisions made by the manager can affect stock prices because of information asymmetry between investors are better informed with less informed investors and raises transaction costs are expected to reduce liquidity in the markets for stocks.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion
This research is intended to obtain the effect of earnings management, disclosure of the information asymmetry. According to analysis carried out by using 37 property companies, real estate and construction building listed in Indonesia Stock Exchange can be concluded as follows:

1. Results of testing the first hypothesis suggests that earnings management and disclosure simultaneously has significant effect and that is information asymmetry by 78%.

2. Results of testing the second hypothesis suggests that earnings management does not have a significant effect on information asymmetry. This is caused by earnings management practices that do not deviate from applicable accounting standards are relatively difficult to detect by investors who have the capacity to process information is limited, but it is caused by the Indonesia Stock Exchange transactions in less liquid, it can be seen from the number of issuers whose shares not traded during the five days of observation.

3. The third hypothesis test results showed that significant negative effect on disclosure of information asymmetry. This means that the higher the level of voluntary disclosure will result in lower information asymmetry.

Recommendations
Based on the results of research and analysis has been done, then put forward suggestions for the sake of furthering the development of academic and operational.

1. Information asymmetry measurements will be more accurate if you use a longer observation period. Example weeks or months, so that the data can be obtained abnormal return is more complete.

2. Investors need to be aware of the high ratio of working capital accruals to sales, because this is a tutorial likelihood of earnings management companies do.

3. For future studies should be considered firm size, stock beta and grouping samples based group of companies and corporate profit loss. Analysis based on the group is important because of the asymmetrical behavior of market participants in the face of uncertainty.

4. Financial Accounting Standards Committee in formulating accounting standards and methods should lead to a more conservative accounting techniques so as to minimize the chances of management to take action that earnings management is not efficient.
REFERENCES


