

**EARNING MANAGEMENT ANALYSIS BEFORE AND AFTER IMPLEMENTATION
OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS):
EMPIRICAL STUDY OF AUTOMOTIVE AND COMPONENTS COMPANIES
REGISTERED ON THE IDX**

Anis Purwanti, I Wayan Wisnu Utama¹

¹Accounting Department, Faculty of Economic and Business, Universitas Nahdlatul Ulama Surabaya, Kampus B, Jl. Raya Jemursari 51-57, Surabaya, Indonesia

DOI: <https://doi.org/10.33005/jasf.v1i01.25>

Received: September 05, 2018. Revised: October 12, 2018. Accepted: October 18, 2018

Abstract

The issue of the application of IFRS as a standard can encourage a decrease in the level of earnings management in a company, so that the application of IFRS in financial statements has the purpose of providing reports that are faithful in nature so that the report users are reliable. The purpose of this study is to show a comparison of earnings management practices that occurred before and after the implementation of International Financial Reporting Standards (IFRS) in Automotive and Component companies registered in the Indonesia Stock Exchange (IDX) for the period of 2009-2014. The data used in this study are secondary data in the form of company's financial statements. The variables in this study are earnings management before and after IFRS implementation. The sampling method in this study was purposive sampling with a sample of 12 automotive and component companies on the Indonesia Stock Exchange. Discretionary accruals of Modified Jones Model is used to measure the earnings management. The analytical method used for hypothesis testing is Paired Sample T-test, a different test for two paired samples. The results of this study indicate that earnings management in the period after IFRS convergence was different than earnings management in the period before IFRS convergence in Automotive and Component companies. However, IFRS convergence has not guaranteed a decline in earnings management practices in Automotive and Component companies.

Keywords: *Earnings Management, International Financial Reporting Standard, Discretionary Accrual.*

How to cite (APA 6th style)

Purwanti, A. & Utama, I.W.W. (2018). Earning Management Analysis before and after Implementation of International Financial Reporting Standards (IFRS): Empirical Study of Automotive and Components Companies Registered on the IDX. *Journal of Accounting and Strategic Finance*, 1 (01), 45-56

INTRODUCTION

In the era of business globalization, many companies conduct business activities outside their country's borders. This is supported by the increasing amount of cooperation carried out by companies across countries. Investors' consideration in making business decisions is by looking at and analyzing the company's financial statements. Financial reports as a means of communication in business need to be adapted to the conditions of the current economic changes so that financial report users such as investors and other stakeholders such as employees, suppliers, customers, creditors, government, and the public can fulfill their information needs. Financial statements must be able to become a single universal set of accounting standards and become a benchmark in uniting and harmonizing the world of accounting, especially in solving cross-border accounting problems. This encourages the emergence of international accounting standards (IFRS).

¹I Wayan Wisnu Utama
Email: wayanwisnuutama@gmail.com

International Financial Reporting Standard (IFRS) is an international accounting standard formulated by the International Accounting Standards Board (IASB) to be globally accepted with the aim of providing a collection of standards for preparing financial statements of companies throughout the world (Harrison, et al. , 2012: 7).

According to Sumarsan (2013: 2), the implementation of IFRS adoption is expected to overall facilitate cross-country business transactions in accordance with the financial reporting characteristics of each company in various countries. Companies can produce high-quality, transparent financial reports for users in the world capital market, can be compared throughout the period presented, and can be generated at a cost that does not exceed the benefits for the users. Thus, financial report users can easily compare financial information between countries in various parts of the world and be able to minimize the level of earnings management in the company. Scott (2011: 423) stated that earnings management is the selection of accounting policies by managers of existing accounting standards and naturally can maximize their utility or market value of the company. Based on these definitions, it can be concluded that earnings management is an action taken by a manager to manage company profits to achieve certain goals or interests.

Earnings management practices can be seen in the case of Enron Corporation in the United States which manipulated the company's financial statements by recording profits of 600 million US dollars, in fact the company was experiencing losses. This profit manipulation occurs because the company wants its shares to remain in demand by investors. A similar case that occurred in Indonesia was stated in Bapepam's annual report which inflate profits found at PT. Kimia Farma is the largest pharmaceutical company in Indonesia that engages in the recording of profits so that the net profit increases by 132 billion rupiah. (Fitrawansyah, 2015: 75-78). The fundamental characteristics of IFRS are representation faithfulness which requires financial statements to show fair presentation and neutrality. Fair presentation means that financial statements must fairly present a company's financial position, financial performance, and cash flow, while neutrality means that the company does not intend to benefit certain parties in its financial reporting (Greuning, Scott, and Terblanche, 2011: 21) .

Based on the fundamental characteristics of IFRS, one of the benefits of implementing IFRS is a decrease in the level of earnings management. However, it is still biased whether the application of IFRS can reduce earnings management behavior in the company. These problems were then answered by several previous researchers, including Suprihatin and Tresnaningsih (2013), Widyawati and Venska (2013), and Wulandari and Lastanti (2015). Suprihatin and Tresnaningsih (2013) stated that one of the benefits of IFRS convergence was to improve the quality of earnings in financial statements, by reducing opportunities for earnings management. The statement was supported by Bangun (2014) who explained that there was a significant difference in the quality of earnings seen from earnings management conducted by the company. Cahyonowati (2012), also shows that after IFRS adoption, accounting quality has increased marked by a decrease in earnings management practices and increased relevance of accounting data.

On the other hand, the other research conducted by Santy, et al. (2012), Sianipar (2013), and Handayani (2014) stated the opposite, that their research generally showed no significant differences in earnings management in the period before and after adopting IFRS. Cahyonowati (2012), also stated that the existence of flexibility in principle based standards can actually provide greater opportunities for companies to take action on earnings management.

The automotive and components industry was chosen as the object of research because companies that continue to grow rapidly every year in Indonesia are the automotive sector which can be seen from sales that continue to increase every year. Car sales in 2013 reached 1,226,199 units, an increase of 10% from the previous year, which was 1,116,230. Meanwhile, one of the APM members from Gaikindo, the biggest growth was obtained by Honda which rose 31% from 69,320 to 90,878. Suzuki's second largest sales were obtained, which rose 28% from 126,577 to 162,467. The third largest sales obtained by Daihatsu which rose 14% to 185,942 and the fourth was obtained by Toyota which rose 7% and fifth was obtained by Mitsubishi which rose 5% (Kurniawan, 2014). The growth that occurs in the automotive sector is due to the demand for goods that continues to increase along with the increase in population, because automotive

products have become the needs of each individual or company.

The purpose of this study is to prove whether the application of IFRS to accounting standards in Indonesia can show differences in earnings management before the implementation of IFRS and after the implementation of IFRS. Thus, this study aims to prove whether the application of IFRS in accounting standards in Indonesia can show a change in earnings management before the implementation of IFRS and after the implementation of IFRS, so that the quality of earnings is expected to be in line with the objectives of the international accounting standards.

According to Scott (2011: 423), earnings management is the selection of accounting policies by managers of existing accounting standards and naturally can maximize their utility or market value of the company. Earnings management is generally grouped into two namely earnings management through accounting policies and earnings management through real activities. Earnings management through accounting policies refers to the game of profit figures made by accounting techniques and policies. Whereas, earnings management through real activities refers to the profit numbers game carried out through activities originating from normal business activities or related to operational activities, for example delaying product promotion activities or accelerating sales by giving large discounts..

From the perspective of accounting theory, earning management occurs when there was any conflict between the management and the stockholder. Jensen and Meckling (1976) stated that agency theory is a relationship or contract between the principal and the agent. Principal is the party that gives authority, namely the investor or owner, with the party that receives the authority (agent), namely the manager or management. While according to Sutedi (2015: 76), agency theory is a theory that explains about contractual relations between parties who delegate certain decision-making, such as the owner or shareholder (principal) and the party who receives the delegation namely the directors or management (agent). Agency theory focuses on determining the most efficient contracts that affect principal and agent relations. Agency theory emphasizes the importance of company owners and shareholders giving up the management of the company to professional staff (agents) who are more understanding in running the company's business. This theory arose after the separation of company ownership with management, especially in large modern companies. The purpose of separating management from company ownership is so that the company owner gets the maximum possible profit at the most efficient cost possible by managing the company by professional staff (Sutedi, 2015: 77).

Professionals or agents carry out their duties in the interests of the company and they have the freedom to run company management. The greater the company earns profits, the greater the benefits the agent gets. Meanwhile, the owner of the company is only responsible for monitoring and monitoring the running of the company managed by management to ensure that they work only for the sake of the company (Sutedi, 2015: 77). This will lead to the information asymmetry. According to Mishkin (2012: 81), information asymmetry is a condition that arises when the principal does not have more information about the company's operations than agents who are directly involved in the company's business activities. The principal is motivated to improve his welfare by increasing profitability. Agents are motivated to maximize the fulfillment of their economic and psychological needs, among others in terms of obtaining investments, loans, and compensation and bonus contracts, then with the asymmetry information they have will encourage agents to hide some information unknown to the principal and can influence accounting numbers presented in financial statements by way of conducting earnings management. Conflict of interest is increasing especially because the principal cannot monitor the CEO's activities on a daily basis to ensure that the CEO works in accordance with the wishes of the shareholders.

Based on this explanation it can be concluded that the problem of agency and information asymmetry triggers the background of the emergence of theories and allegations about the existence of earnings management practices. Managers as internal parties have different interests with external parties such as investors, creditors, the government, and other external parties. In addition, managers as internal parties have more valid information about the companies they manage than the external parties of the company. These two conditions strongly support the

practice of earnings management. If agency problems can lead to intention to do earnings management, then information asymmetry can provide opportunities or opportunities to do earnings management.

Subramanyam and Wild (2013: 132) suggest that the motivation to do earnings management includes, First the incentives of agreement, many agreements use accounting numbers. For example manager compensation agreements usually include profit based bonuses. Bonus agreements usually have an upper and lower limit, meaning the manager does not get a bonus if the profit is lower than the lower limit and does not get an additional bonus when the profit is higher than the upper limit. This means managers have incentives to increase or reduce profits based on the level of profits that have not been altered related to this upper and lower limit. Second, the impact on stock prices. Other earnings management incentives are the potential impact on stock prices. For example, managers can increase profits to increase the company's stock price temporarily as long as a particular event such as a merger will be carried out or a securities offer, or a plan to sell shares or implement options. Lastly is other incentives. Profits are often reduced to avoid political costs and research carried out by government agencies, to obtain benefits from the government, such as subsidies or protection from foreign competition, and to avoid the demand of trade unions.

Earnings management has certain patterns in practice. Scott (2011: 405), identified the existence of four patterns by management to conduct earnings management. The first pattern is taking a bath. Taking a bath is a pattern of earnings management carried out by making the company's profits in the current period to be very low (even loss) or extremely high compared to earnings in the previous or after period. Taking action occurs during periods of organizational pressure or at the time of reorganization, such as a new CEO turnover. Second, Income minimization. This management pattern is like taking a bath but not extreme like taking a bath pattern. Income minimization is a pattern of earnings management carried out by making profits in the current period financial statements lower than actual profits. Income minimization is usually done when the company's profitability is very high with the intention of not getting political attention. Policies taken can be in the form of abolition of capital goods and intangible assets, loading of advertising expenditures, and others. Third, Income maximization, this pattern is the opposite of income minimization. Maximizing earnings (income maximization) is a pattern of earnings management carried out by making profits in the current period financial statements higher than actual profits. Maximization income is done with the aim of getting a bigger bonus, increasing profits, and to avoid violations of long-term debt contracts. This pattern is carried out by companies that carry out debt agreements. Finally, Income smoothing. Income smoothing is one form of earnings management carried out by making accounting earnings relatively consistent (flat or smooth) from period to period. In this case the management intentionally reduces or increases profits to reduce turmoil in earnings reporting, so the company looks stable or not at high risk. Managers will effectively save their current income for possible use in the future.

Since the case of Enron, the international accounting standard board propose an accounting standard that will overcome such practices, which is the International Financial Reporting Standards (IFRS). IFRS is a set of accounting standards, developed and managed by the International Accounting Standards Board (IASB) with the aim of being able to be applied globally and consistently for the preparation of financial reports so that investors and other users are able to compare the financial performance of public companies (IASB, 2015). The characteristics of IFRS are using principles base, fair value, and disclosure. The Principles base emphasizes the interpretation and application of standards. Standards require an assessment of the substance of the transaction and evaluate whether the accounting presentation reflects economic reality. Requires professional judgment on the application of accounting standards. The purpose of using fair value is if there is an active market value, it must make its own assessment (need competency) or use the services of an appraiser. The need to disclose more, both quantitative and qualitative (Wahyudiono, 2014: 20).

Purba (2010: 7) argues that harmonization of accounting and financial reporting standards has been considered as an urgent matter that must be done by every country including Indonesia as a developing country. The main benefit obtained from the harmonization of accounting and financial reporting standards is a better understanding of financial statements by users of financial

statements from various countries. This makes it easier for companies to sell their shares across countries or across capital markets. In addition, it provides efficiency in the preparation of financial statements that spend a lot of funds and sources of funds each year and can also increase foreign investor confidence in the financial statements of national companies.

According to the head of the IFRS-Indonesian Institute of Accountants (IAI) implementation team, Dudi M Kurniawan who was published by Kompas daily on May 6, 2010 stated that adopting IFRS Indonesia would get seven benefits at once (IAI, 2012), namely improving the quality of Financial Accounting Standards (SAK), reducing the cost of SAK, increasing the credibility and usefulness of financial statements, improving the comparability of financial reporting, increasing financial transparency, reducing capital costs by opening up opportunities for raising funds through the capital market, and increasing the efficiency of preparing financial statements.

Baskerville (2010) reveals that convergence can mean harmonization or standardization, but harmonization in the context of accounting is seen as a process of increasing the suitability of accounting practices by setting a level of diversity. If it is associated with IFRS, convergence can be interpreted as a process of adjusting Financial Accounting Standards (IFRS) to IFRS (Utami et al., 2012). Based on the convergence proposal issued by IAI, there are 3 stages in conducting IFRS convergence in Indonesia (Purba, 2010: 42). First stage is adoption Phase (2008-2011), includes activities where all IFRS is adopted into PSAK, required infrastructure preparation, and evaluation of the applicable PSAK. Second stage is the final preparation (2011), at this stage a settlement of supporting infrastructure for the implementation of PSAK has been adopted which has adopted all IFRS. The last stage is implementation phase (2012), relates to the implementation of PSAK activities that have adopted all IFRS in stages for companies that have public accountability (IAI, 2012).

The implementation of IFRS can have a positive and negative impact on the business world in Indonesia. The following are the various impacts on the implementation of IFRS which are presented in the Indonesian Stock Exchange (IDX, 2015) media. Impact on accounting systems will increase the use of fair value, especially for investment property, some intangible assets, financial assets and biological assets. The more uses of "Judgment" because of the characteristics of IFRS which are based on principle and more disclosure requirements, both qualitative and quantitative, are in line with the data / information used for corporate decision making. Impact on company information systems will change in the information systems in the company due to significant differences in standards between IFRS and previously applicable standards. Impact on human resources. IFRS standards that adhere to principles and not rule based so that users must use judgment more. Professional resources are needed that have the ability to make these judgments in using this standard. In addition, not only HR is related to accounting, but other related HR must also understand the concept of IFRS standards. Impact on company organizational systems. The use of IFRS standards not only changes the way organizations make financial reports, but also changes how the company conducts its business. The need for internal control, especially those related to financial reporting so that the company can meet all the requirements stipulated by IFRS. The financial statements are used for decision making by various stakeholders for appropriate decision making. The quality of good financial statements is very necessary. International accounting standards are considered to have better quality compared to domestic accounting standards.

According to Nurisya and Wardoyo (2013), the application of IFRS has not shown a significant effect on the performance of banks in Indonesia, because basically the application of IFRS is not directly and explicitly intended to improve performance. But in a study conducted by Krismiaji, et al. (2013), it was found that IFRS adoption had a positive effect on information relevance and information reliability. Rohaeni and Aryati (2011: 11) suggest that when companies adopt IFRS, companies make less income smoothing, because the application of IFRS will have an impact on the fewer choices of accounting methods that can be applied. IFRS is a standard that aims to be able to reduce earnings management because accounting standards emphasized on the principle of a transaction when recording it, the use of fair value and more disclosures are expected to reduce management practices that take advantage of accounting policies in the interest of personal or corporate. Theoretically, IFRS convergence is expected to reduce earnings

management actions carried out by the company.

Based on these explanation, the hypothesis can be drawn as follows:

Ho: there is no difference in earnings management practice before and after the implementation of IFRS

Ha: there is difference in earnings management practice before and after the implementation of IFRS

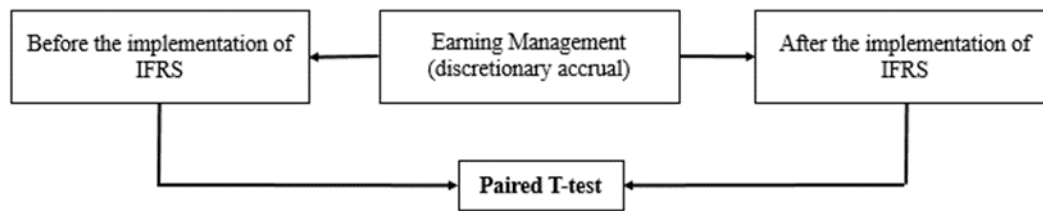


Figure 1. Research Model

RESEARCH METHOD

Research object

In this research, the object of research is the financial report data of Automotive and Component companies listed on the Indonesia Stock Exchange from 2009 to 2014. This research was conducted at the Surabaya Stock Exchange located at Jalan Pemuda 27-31 Medan Pemuda, Surabaya.

Operational Variable

The variables in this study are earnings management. The measurement scale uses a ratio scale. This study analyzes the earnings management before and after the application of IFRS. Earnings management variables are proxied by discretionary accruals and calculated using the Modified Jones Model and modified by Dechow, Sloan, Sweeney (1995) which is called discretionary accrual (DA). Earnings management can occur if the value of discretionary accrual (DA) is not equal to zero. If the discretionary accrual value is positive (DA > 0), it is assumed that the company carries out earnings management by increasing its accrual profit reporting. Whereas if the discretionary accrual value is negative (DA < 0), it can be assumed that the company carries out earnings management by reducing its accrual profit reporting. If the value of DA = 0, it is assumed that the company does not conduct earnings management. This study uses the modified Jones model because the model is considered as the best model to detect earnings management and provide the best accurate results (Sulistiyanto, 2012: 212).

The steps to calculate discretionary accruals are as follows:

- a) Calculates the value of total accrual using the formula:

$$TA_{it} = NI_{it} - CFO_{it} \dots\dots\dots (1)$$

- b) Create a regression equation with the aim of determining the value of the coefficient α_1 , α_2 , and α_3 . The coefficient is obtained from regression with the following equation:

$$TA_{it} / A_{it-1} = \alpha_1 (1 / A_{it-1}) + \alpha_2 ((\Delta REV_{it} - \Delta REC_{it}) / A_{it-1}) + \alpha_3 (PPE_{it} / A_{it-1}) + e \dots\dots\dots (2)$$

- c) After the coefficient value is known, then each coefficient value is used to determine the value of non-discretionary accruals with the formula:

$$NDA = \alpha_1 (1 / A_{it-1}) + \alpha_2 ((\Delta REV_{it} - \Delta REC_{it}) / A_{it-1}) + \alpha_3 (PPE_{it} / A_{it-1}) \dots\dots\dots (3)$$

d) Next, the value of discretionary accruals can be calculated as follows:

$$DA_{it} = TA_{it} / A_{it-1} - NDA_{it} \dots\dots\dots (4)$$

Legend:

- TA_{it} = Total company accrual i in period t
- NI_{it} = Net income of company i in period t
- CFO_{it} = Cash flow from operational activities of company i in period t
- A_{it-1} = Total assets of company i in period t-1
- ΔREV_{it} = Change in revenue (income) of company i in period t
- ΔREC_{it} = Change in receivable of the company i to period t
- PPE_{it} = *Gross property, plant, and equipment* company i in period t
- α₁, α₂, α₃ = Regression coefficient
- e = Error
- DA_{it} = *Discretionary accruals* company i in period t
- NDA_{it} = *Non discretionary accruals* company i in period t

Population and sample

The population in this study were Automotive and Component companies listed on the Indonesia Stock Exchange (IDX) in 2009 to 2014. Sampling in this study was conducted by purposive sampling method with criteria, 1) Automotive and Component Companies listed on the Stock Exchange Indonesia (BEI) in 2009-2014, 2) The Company issued complete and published annual financial statements in succession during the 2009-2014 observation period, 3) Companies that have complete financial data related to the variables to be studied. Based on these criteria, the sample in this study amounted to 12 companies for 6 years. The year 2009 and 2010 considered as the year before the IFRS implementation, while 2011 and 2012 considered as after the IFRS implementation.

Types and Data Sources

The type of data used in this study is secondary data. Secondary data needed in this study is the audited financial statements of companies in 2009-2014 in automotive companies and components listed on the Indonesia Stock Exchange. Secondary data collected is obtained from the annual financial report data issued by the Indonesia Stock Exchange (IDX, 2014, 2015), Indonesian Capital Market Directory (ICMD), and through the www.idx website. co.id.

Test of Hypotheses

Paired Sample T-test is a test for the same group of population, but has two or more conditions in the sample data as a result of the treatment given to the sample group (Gani et al., 2015: 56). If the data is normally distributed, the hypothesis test that will be used is the Paired Sample T-test but, if the data is not normally distributed then the test is carried out by the Wilcoxon Signed test Rank Test for paired samples (Sugiyono, 2013: 212). In this test, the sample will be compared with each other in pairs, namely the average discretionary accrual absolute before and the average absolute discretionary accrual after IFRS.

In this study, the paired sample T test was used to see whether there were differences in earnings management before and after IFRS convergence. The hypothesis are:

H0: μ1 = μ2 = Earnings management after adoption of IFRS is not different compared to earnings management before IFRS

Ha: μ1 ≠ μ2 = Earnings management after adoption of IFRS is different compared to earnings management before IFRS

While:

μ1 = Earnings management after adoption of IFRS (peroxided through absolute discretionary ac-

cruals)

μ_2 = Earnings management after adoption of IFRS (peroxided through absolute discretionary accruals)

Hypothesis testing is done using the T test at the level of confidence used in this study is 95% with a significance level of 0.05 ($\alpha = 5\%$). The acceptance or rejection criteria for the hypothesis will be based on the p-value. Decisions based on probability (Sugiyono, 2013: 209) are as follows:

If p-value > 0.05 then the hypothesis is accepted (not significant)

If p-value is < 0.05, the hypothesis is rejected (significant)

RESULTS AND DISCUSSION

Normality test

The normality test in this study used the one sample Kolmogorov Smirnov statistical test. Data is normally distributed if the significance value is > 0.05. From the results of the normality test conducted, the results of the Asymp significance value. Sig. (2-tailed) is 0.996 for data before IFRS adoption and 0.341 for data after IFRS adoption. The significance value of discretionary accrual before and after IFRS adoption is greater than 0.05. This indicates that discretionary accrual data before and after adoption of IFRS is normally distributed. Therefore, hypothesis testing in this study uses the Paired sample t-test.

Descriptive Analysis

The results of the descriptive analysis of this study are presented in table 1 as follows. Based on table 1 the results of the descriptive statistics it can be seen that the minimum discretionary accrual value in the period before IFRS convergence is 0.027, whereas in the period after IFRS convergence the minimum discretionary accrual value is 0.007 or rounding from 0.0069. The maximum value of discretionary accrual in the period before IFRS convergence is 0.717, while the maximum value of discretionary accrual in the period after IFRS convergence is 1.181. The average discretionary accrual value in the period before IFRS convergence is 0.319 and in the period after IFRS convergence of 0.418 with a standard deviation in the period before IFRS convergence of 0.179 and in the period before IFRS convergence of 0.253

Table 1. Discretionary Accrual Descriptive Statistics

	N	Minimum	Maximum	Mean	Deviation Standard
DA Before	36	0,027	0,717	0,319	0,179
DA After	36	0,007	1,181	0,418	0,253

Source: Data processed

Hypothesis testing

Testing the hypothesis in this study using the Paired sample t-test because the data is normally distributed. The results of hypothesis testing in this study are as follows:

Table 2. Paired Samples Test

	Mean	t-value (t)	df.	Sig. (2-tailed)
DA After – DA Before	0,099	2,835	35	0,008

Source: Data processed

Table 2 shows the results of paired samples test. The result shows the mean value of 0.099 which means that there is a tendency for an increase in earnings management after IFRS convergence with an average increase of 0.035. The t-value in this test shows that t-value is 2.835 with a significance level of $0.008 < 0.05$, then H_0 is rejected meaning that there is a difference between DA before and DA after IFRS convergence.

The results of t-value are 2.835 and by using a 95 percent confidence level and 35 degrees of freedom obtained from t-table of 2.030. Because t-value is greater than t-table ($2,835 > 2,030$), it can be decided that H_0 is rejected and H_a is accepted. The conclusion is that there is a difference between earnings management before and after IFRS convergence at the 95% confidence level.

Based on the results of the analysis, the hypothesis that states earnings management after IFRS convergence is not different from earnings management before IFRS convergence is rejected. This means that earnings management after IFRS convergence is different from earnings management before IFRS.

Discussion

Based on the results of these tests it can be concluded that there is a significant difference between earnings management practices before and after IFRS convergence. However, it has not been shown that the application of international financial accounting standards (IFRS) can reduce the level of earnings management in Automotive and Component companies. This research has not fully supported the benefits of IFRS convergence which states that IFRS is useful in improving financial reporting quality, among others by reducing the opportunity to conduct earnings management. This is indicated by the absence of a decrease in the level of earnings management in companies that have implemented IFRS-based financial statements. In companies that have implemented IFRS in financial reporting the level of earnings management is actually higher than in the period before the implementation of IFRS in sample companies. This is because some companies tend to want to cover up poor performance by managing earnings through accrual transactions, which tends to increase profits so that there will be an increase in company performance.

IFRS as an international accounting standard is expected to increase the credibility of financial statements, namely by suppressing the practice of earnings management conducted by the company. The differences that exist in financial accounting standards before IFRS convergence and after IFRS convergence related to earnings management practices, should be reflected in the reality that earnings management practices will decrease with the principle based, more fair value, and more disclosure (full disclosure), but not in this study, the results presented from the paired sample t-test indicate an increase in earnings management practices in Automotive and Component companies with a mean of 0.099 (Table 2).

In addition, other factors that can also be considered findings through this research are regarding the time of standard application. The implementation of IFRS is still new in Indonesia, which is implemented compulsorily by the Financial Accounting Standards Board in 2012. This can result in the time when the implementation of the new standards has not been fully implemented and is effective for companies in Indonesia, especially manufacturing companies so that this still allows for the practice of earnings management in the company. Then in the treatment of fixed assets several companies still apply fixed assets with historical cost values. The application of the historical cost does not reflect the current market price of fixed assets. In general, the financial statements of fixed assets are based on the historical cost model that is using prices at the time of the transaction and assuming that prices will remain stable, the application of the historical cost model will not reflect changes in purchasing power so that financial statements are less able to reflect the actual situation.

The results of this study are in line with the research conducted by Bangun (2014) and Qomariah and Marsono (2013). Bangun (2014) stated that there are significant differences between earnings management before and after IFRS adoption into PSAK. The results showed

that with the implementation of IFRS earnings management practices carried out by manufacturing companies listed on the Stock Exchange experienced changes. This change is indicated by the average value of earnings quality after IFRS adoption is higher than before IFRS adoption so that the presence of IFRS adoption can have a positive effect on earnings management actions. Research builds in line with this research because in the calculation of discretionary accruals using the Modified Jones Model and in testing hypotheses using the Paired Sample T-test. The difference lies only in the object of research, namely manufacturing companies listed on the Stock Exchange and the research period from 2009 to 2012.

The Kuryanto and Hoesada (2012) studies have different results. Kuryanto and Hoesada (2012) research states that there is no difference in earnings management before and after adopting IFRS. The difference in research results is due to the period used in the Kuryanto research period before adopting IFRS-based accounting standards in 2010 and after adopting IFRS-based accounting standards in 2011, while this study divides the period before IFRS convergence began in 2009-2011 and after convergence IFRS in 2012-2014. Longer years of research are possible as one of the causes of differences in research results.

The next difference is in the object of research. Kuryanto and Hoesada's research (2012) determined IPO companies and companies that did not conduct IPOs in their research objects, while this study chose Automotive and Component companies which were the object of research. Then in the research of Kuryanto, the company data used is the financial statements of companies with rupiah currency that do not suffer major losses and their balance sheets show positive wealth while in this study the data used are all company financial statements that are sampled. In this study the data used from financial statements both use the rupiah currency and dollar currency using the exchange rate at the balance sheet date. This difference also causes different results in research. The results of this study might be the same if in the calculation of discretionary accruals using other methods or models and using financial statement data in rupiah.

Based on the results of the analysis presented earlier, the research hypothesis which states that earnings management after IFRS convergence is not different from earnings management before IFRS convergence is rejected or cannot be supported.

CONCLUSION

Based on the results of testing and analysis that has been done on earnings management practices before and after IFRS convergence it can be concluded that there are differences in earnings management practices before and after IFRS convergence or implementation. This shows that the research hypothesis that indicate there is difference in earnings management practice before and after the implementation of IFRS can be accepted or cannot be rejected. This is evidenced by the value of the Discretionary Accrual that has been analyzed from 12 Automotive and Component companies which still ranges above the number 0 (zero) which indicates that the company carries out earnings management by increasing its accrual earnings.

There are three limitations of this study. First, this study only used DA as a measure of earnings management. It is suggested that future research use other measurement for earnings management. Second, this study only using published financial statement data, treatment of fixed assets by using historical cost or fair value is not explained in detail in the notes to the financial statements. Case study research in several companies is possible to get a deeper analysis. Third, there was no clear information about the exchange rate used in the financial statements of companies with dollar currencies, whether the company uses the exchange rate at the balance sheet date or the exchange rate on the transaction date.

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