Difference Analysis and Optimization Short-Term Income Manegemen Changes Before And After Capital Market Supervisory Agency Over Mandatory Disclosures Annual Report

Dedi Putra[1], Pebrina Swissia[2], Taufik[3], Agus Panjahitan[4]

[1,2,3,4]Institut Informatika dan Bisnis Darmajaya
[1]dedi.putra@darmajaya.ac.id, [2]swissiapebrina@darmajaya.ac.id, [3]taufik@darmajaya.ac.id, [4]agoespanjaitan@gmail.com

Abstract

This study aims to provide empirical evidence that companies are optimizing the short term in order to achieve a certain profit target (to avoid reporting losses and a decrease in income) have mandatory information disclosure level is low. The population in this study are all manufacturing companies listed in Indonesia Stock Exchange period 2016-2018. The sample selection using purposive sampling method, observation data obtained 40 Hypothesis testing using different test Paired Sample T test, with a confidence level of 95%. These results indicate that the Amendment Regulation of Capital Market Supervisory Board on mandatory disclosure of the annual report does not affect the Company's Profit Optimization and Short-Term Management, seen from the test results showed no difference.

Keywords: Corporate Profits, Optimizing the Management of Short-Term

1. INTRODUCTION

Real earnings management in the form of short-term management optimization is directly caused by pressure to keep profits from "going down" as shown by Bens et al. (2002). Yulianti (2004) found that management manipulated earnings to avoid reporting losses to companies listed on the Indonesia Stock Exchange (IDX) between 1999-2002. Short-term optimization has a detrimental impact on the company. Short-term optimization of management will sacrifice the value of the company in the long run. Gunny (2005) shows that cutting discretionary spending will have a significant negative impact on the company's long-term performance, namely a decline in operational performance that results in a decrease in cash flow and earnings for the period ahead. Another impact is the company's low growth prospects, low returns on investment discretionary spending, and even investors will recognize the implications of optimizing short-term management of future profits. Short-term optimization of management also results in the loss of competitive advantage in the future so that companies become unable to face competition.

So far, earnings management that often gets a lot of attention from academics, auditors and investors is accrual earnings management. This study focuses on real earnings management, namely the problem of short-term optimization management. Short-term optimization of management is an action that is often carried out by management without any significant attention to these actions by regulators or investors, whereas optimization of short-term management has a bad impact on the company in the future compared to accrual earnings management (Graham et al. , 2005; Kim and Sohn, 2008; Gunny, 2005). This study seeks to provide empirical evidence that companies that carry out short-term optimization with the aim of achieving certain profit targets (avoiding reporting losses and decreasing profits) have a low level of mandatory information disclosure. The author in this case wants to know the fundamental differences from before and after changes to BAPEPAM regulations, on company profits and short-term optimization of management (discretionary value).

Research Sutrisna (2009), conducted a research on Short-Term Management Optimization using a sample of all non-financial companies on the Indonesia Stock Exchange and using the 2003-2007 period which is predicted to increase profits. the findings of this study indicate that the greater the management of short-term optimization through discretionary expenditure budget cuts, the lower the level of compulsory company information. And Suripto research (2013), this study examines the effect of earnings management on impressions in management analysis and discussion (MD&A). 2004-2009 annual report data, and prove the evidence that earnings management, performance levels, changes in performance, and economic conditions have a negative effect on impression management. This research replicates the property of Sutrisna (2009) by conducting a Short-term Optimization of Management research and using a sample of Manufacturing companies on the Indonesia Stock Exchange and using the latest period of 2016 - 2018.

The purpose of this study are (1) to prove the empirical existence of differences in net income before and after changes in regulations of the Capital Market Supervisory Agency and (2) to prove empirically there are differences in Short-term Optimization of Management before and after the Capital Market Supervisory Agency (BAPEPAM)

2. LITERATURE REVIEW

Agency theory (Jensen and Meckling, 1976) is a foundation that can explain the reasons for the need to disclose company information. This theory explains the relationship between agents (management) and principal (investors). This theory has the assumption that each individual is merely motivated by his own interests, causing a conflict of interest between the two. Short-term optimization of management is one form of real earnings management. Short-term optimization of management is behavior that sacrifices the value or potential long-term value of the company for the company's current value (which is reflected by profit). Potter (1992) defines the optimization of short-term management as a sacrifice for the company's long-term growth aimed at achieving short-term goals. Mizik and Jacobson (2007) stated that the optimization of short-term management is a form of profit increase that is considered to have the largest cost because it sacrifices potential economic value in the future. Management as the party that manages the company's wealth, while investors as owners of capital require disclosure of financial statements as a means of management accountability to the owners of capital. Research conducted by Graham et al. (2005) shows that real earnings management that is often directed by management is to do short-term optimization by cutting discretionary expenditure budgets to achieve certain profit targets. This method is not easy to detect when compared to manipulating using accruals.

Management in investing discretionary expenses faces a condition of mutual sacrifice (trade-off) that is boarding expenses in this period while the benefits received occur in the future. The existence of these sacrificial conditions encourages management to reduce its commitment to long-term investment (David et al., 2001 in Osma, 2008). Sougiannis (1994) in Osma (2008) proves that an average increase of one dollar of expenditure on research and development, will result in an increase in corporate profits of two dollars in a period after seven years. Management as the party that manages the company's wealth, while investors as owners of capital require disclosure of financial statements as a means of management accountability to the owners of capital. Research conducted by

Graham et al. (2005) shows that real earnings management that is often directed by management is to do short-term optimization by cutting discretionary expenditure budgets to achieve certain profit targets. This method is not easy to detect when compared to manipulating using accruals (Kim and Sohn, 2008). The problem is the danger arising from the short-term optimization of management, namely the decline in the value of the company in the future. Lobo and Zhou (2001) examined the effect of accrual earnings management on the level of voluntary disclosure of company information. The results show strong evidence that accrual earnings management is negatively correlated with the level of company voluntary information disclosure. In Indonesia a similar study was carried out by Veronica and Bachtiar (2003) who found the same results as previous studies that accrual earnings management had a negative effect on the level of company voluntary information disclosure, as well as for company mandatory information disclosure conducted by Halim et al. (2005).

3. RESEARCH METHOD

The population in this study are manufacturing companies listed on the Indonesia Stock Exchange in 2016-2018. The sample of this study was taken with a purposive sampling technique that is with the aim of getting a representative sample according to specified criteria. The sample criteria used are as follows: (1) Manufacturing companies listed on the Indonesia Stock Exchange during 2011-2014. (2) Publish complete annual financial reports (annual report) during the years 2011-2014. (3) Companies that get a PROPER Gold and Green rating because this rating is very good according to the researchers become a sample because they get a good predicate in controlling waste and the environment. The variables of this research are Company Profit which is proxied through ROE and Optimization of Short-Term Management that is proxied through abnormal discretionary expenditure. Hypothesis testing uses Paired Sample t-Test, which is to find out the differences in company profits and the existence of Short-Term Optimization before and after the Capital Market Supervisory Agency's law.

4. FINDINGS AND DISCUSSION

Tabel 1

		Paired Differences					T	df	Sig. (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	laba sebelum - laba sesudah	-.020249	.194073	.043396	-.111078	.070580	-.467	19	.646
Pair 2	ojpm sebelum - ojpm sesudah	-.003746	.017060	.003815	-.011731	.004238	-.982	19	.338

Based on the results of an analysis of data samples of companies listed on the Indonesia Stock Exchange from 2014 to 2016, by comparing the two years before and two years after the amendment to the Capital Market Supervisory Agency's Regulations for Disclosure of Annual Reports, results are obtained which illustrate that there is no difference in company profits. and optimization of short-term management before and after changes to the Capital Market Supervisory Agency's regulations for Report Disclosure.

The results of the first hypothesis test show that the annual report disclosure before and after the changes in the Capital Market Supervisory Agency Regulations have no difference or there is no influence before and after the Capital Market Bidders regulation is seen from the results of the paird sample t test in SPSS 23 is the calculated T value is equal to -0,467% with Sig 0,646. because Sig> 0.05, it can be concluded that Ho is accepted, which means the Company's Profit before and after the Capital Market Supervisory Agency's legislation does not affect the amount of profit generated by the company in its annual period, which means there is and no regulation of the Capital Market Supervisory Agency Corporate Profit runs according to the Company's targets and regulators. Profit or loss is often used as a measure to assess a company's performance or as a basis for other valuation measures, such as earnings per share. The elements that form part of profit are revenue and costs. By classifying the elements of revenue and costs, different profit measurement results can be obtained including: gross profit, operating profit, profit before tax, and net profit. Measurement of earnings is not only important to determine the performance of the company but also important is important as information for profit sharing and investment policy determination (Harahap, 2001: 259).

The results of the second hypothesis testing in the Short-Term Optimization of Management before and after the changes in regulations of the Capital Market Supervisory Agency experienced a difference or experienced a difference in its disclosure, seen from the SPSS 23 test t value of -0.982% with sig 0.338%. because Sig> 0.05, then Ho is accepted, meaning that the results of observations of the mean sample observations in the optimization of Short-Term Management mean that there is no difference between before and after the changes to Bapepam regulations. From the results of the tests that have been carried out, it is concluded that the testing of the sample mean in the two observation periods (before and after the amendment to the Capital Market Supervisory Information Disclosure Act) is statistically insignificant at $\alpha \neq 5\%$ This means that companies are suspected conducting short-term optimization cannot be assessed or monitored through disclosure regulations. Short-term optimization has a very detrimental impact on the company. Short-term optimization of management will sacrifice the value of the company in the long run. Gunny (2005) shows that discretionary spending cuts will have a significant negative impact on the company's long-term performance, namely a decline in operational performance that results in a decrease in cash flow and profits in the future period. Another impact is the low growth prospects of the Company, even Investors will recognize the implications of Short-Term Optimization Management also results in the loss of future competitive advantage so that companies become unable to face competition.

5. CONCLUSION

The research conducted aims to obtain evidence of differences in disclosure on company profits and optimization of short-term management at the level of corporate information mandatory disclosure before and after changes in regulations of the capital market supervisory board for disclosure of annual reports calculated per month of data obtained. This research was conducted using descriptive statistical methods and different tests, examining the latest data from previous studies. Based on the description of the company, the authors draw some conclusions that the results of the first study indicate that the disclosure of annual reports does not affect the amount of the Company's profit both before and after the Regulatory Agency Regulations Capital Market (BAPEPAM) for mandatory annual disclosures. The second research result shows that the Short-Term Optimization of Management is insignificant or there is no difference, this can be concluded that the emphasis on fraud committed through earnings management at discretionary value in the Disclosure of Annual Reports Before and After the Capital Market Supervisory Agency (BAPEPAM) Regulations cannot be reference material.

REFERENCES

Bens, Daniel A., Venky Nagar, dan M. H. Franco Wong. 2002. Real Investment Implications of Employee Stock Option Exercises. Journal of Accounting Research 40 (2): 359-393.

Gunny, Kathrine. 2005. What are the Consequences of Real Earnings Management? Working Paper. SSRN.

Graham, John R., Campbell R. Harvey, dan Shivaram Rajgopal. 2005. The Economic Implications of Corporate Financial Reporting. Journal of Accounting and Economics 40: 3-73.

Halim, J., Carmel M., dan Rudolf L. T. 2005. Pengaruh Managemen Laba pada Tingkat Pengungkapan Laporan Keuangan pada Perusahaan Manufaktur yang Termasuk dalamIndeks LQ-45. Simposium Nasional Akuntansi VIII.

Harahap, Sofyan Syafri, 2001. Budgeting Penganggaran: Perencanaan Lengkap Untuk Membantu Manajemen. Edisi Pertama, Cetakan Kedua, PT Indah Karya (Persero) Raja Grafindo Persada, Jakarta.

Jensen, M. C. dan W. H. Meckling. 1976. The Theory of the Firm: Managerial Behavior, Agency Cost ad Ownership Struc ture. Journal of Financial Economics 3 (4): 305-360.

Kim, Jeong-Bon dan B. C. Sohn. 2008. Real versus Acrual-based Earnings Management and Implied Costs of Equity Capital. Working Paper. SSRN.

Lobo, Gerald J, Zhou. (2001). Disclosure Quality and Earnings Management. Social Science Electronic Network Paper Collection, May 2001.

Suripto, Bambang. 2013. Akuntansi Biaya. Edisi2. Jakarta: Salemba Empat.

Sutrisna Paulina, (2009),Pengaruh Optimalisasi Jangka Pendek Managemen Pada tingkat Pengungkapan Wajib Informasi Perusahaan Sebelum dan sesudah Peraturan Perundang – Undangan Pengungkapan Laporan Tahunan, Palembang, Universitsas Sriwijaya.

Veronica, Sylvia dan Yanivi S. Bachtiar. 2003. "Hubungan antara Manajemen Laba dengan Tingkat Pengungkapan Laporan Keuangan". SNA 6, sesi 3/b, Solo. Surabaya.

Yulianti. 2004. Kemampuan beban pajak tangguhhan dalam memprediksi manjemen laba" . SNA VII. IAI.