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THE EFFECT OF GOOD CORPORATE GOVERNANCE, FIRM SIZE, LEVERAGE, AND FIRM PERFORMANCE ON EARNINGS MANAGEMENT: ENTRENCHMENT MANAGEMENT AS A MODERATION VARIABLE

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Abstract: This study aims to examine the effect of good corporate governance mechanisms which include the board of commissioners, board of directors, audit committee, firm size, leverage, and firm performance on earnings management with management entrenchment as a moderating variable. This type of research uses quantitative methods. The sampling technique in this study used a purposive sampling method based on predetermined criteria, obtained as many as 68 sample data from 17 sample companies in real estate and property companies listed on the Indonesia Stock Exchange (IDX) for 4 years in the 2018-2021 period. The results of this study indicate that the good corporate governance variable with the proxy of the board of directors has a negative effect on earnings management, the leverage variable has an effect on earnings management. Meanwhile, the good corporate governance variable by proxies for the board of commissioners, audit committee, firm size, and firm performance has no effect on earnings management. Management entrenchment has no effect on the interaction of leverage with earnings management, the interaction between firm performance and earnings management. Management entrenchment strengthens the influence of good corporate governance by proxies for the board of commissioners, board of directors, audit committee, and firm size on earnings management.

Keywords: Good corporate governance, firm size, leverage, firm performance, earnings management and management entrenchment.

INTRODUCTION

Financial statements are a source of information about the condition and performance of the company for external parties. Annual financial reports provide information about the annual financial statements, results and developments in the company's financial condition and are fundamental for users in making financial decisions. An important element for measuring performance in financial statements is profit. The goal of starting a business is to make as much profit as possible so that the value of the business can reflect the price of the stock. Profit information obtained from investors or other stakeholders as an effective indicator, the funds invested in the company are expected to increase profits (Anggraeni, 2019).

Presentation of financial statements presented by the company must be in accordance with applicable accounting standards. Providing information about financial position, cash flow and company performance is the goal of financial reports, which are used as a basis for using the resources that have been entrusted to the company. The company already has high business growth and offers to carry out earnings

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management by utilizing its profits before the company's financial burden is reported. However, performance information often becomes management's opportunistic action to maximize satisfaction because there is a tendency for parties to pay attention to profits, this right is manifested by management, especially management whose performance is measured by profit (Ryantama et al., 2021).

According Zakia et al. (2019), most users of financial statements focus more on the profit information contained in the income statement without considering the procedures used to generate the profit. Investors and external parties are more likely to pay attention to the profit information contained in the financial statements, in this case causing the management to manipulate earnings so that the profit is high and the company's performance is considered good.

The theory used in this research is agency theory. This theory is a theory that explains the agency relationship as a contractual relationship between one or more people (principal), namely the shareholder who gives power on behalf of the principal to management (agent) as the party responsible for every decision making. The relationship between the two is called the principal agent relationship, there is a separation of functions between investor ownership and management. The separation of management between company owners and management tends to cause agency conflicts between principals and agents. This conflict arises because the agent may not act in accordance with the wishes of the principal, resulting in agency costs (Jensen & Meckling, 1976).

Christiani & Nugrahanti (2014) explained that earnings management is an attempt by company managers to manipulate information in financial reports in an effort to trick stakeholders who want to know the performance and status of the company. Earnings management is one of the factors that can reduce the credibility of financial reports and create bias in financial reports, as well as divert the attention of users of financial statements to believe the numbers presented in financial reports.

Earnings management as management interference disputes in the process of determining profits for personal gain. In this case earnings management only applies to the selection of accounting methods. Can also be interpreted as the behavior of managers in "playing" with the components of discretionary accruals in determining earnings. Broad definition, earnings management is the behavior of managers to increase (decrease) reported earnings when the manager's actions are responsible without causing an increase (decrease) in long-term economic profitability with related units (Pernamasari et al., 2020).

Good Corporate Governance is a mechanism that directs and controls the company by holding the goal that the company's activities run based on the wishes of the stakeholders.(Anggraeni, 2019). The implementation of a good corporate governance mechanism is one means of overseeing the course of company activities, including monitoring the level of management's prudence in presenting financial reports (Al Umar et al., 2020). Thus the company's financial statements are expected to reflect correct and reliable information as a basis for decision making by interested parties. Thus encouraging the creation of the principles of good corporate governance namely, accountability, responsibility, transparency, independence, and fairness (Anggraeni, 2019).

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In applying the principles of good corporate governance it is very important that the corporate governance mechanism is for a control over the implementation of company activities (Kaihatu, 2006). This mechanism is needed so that the company's activities can run well in accordance with what has been determined. These control mechanisms can be categorized as internal mechanisms and external mechanisms. The internal control mechanism is a company control that uses a company structure, namely, the board of directors, board of commissioners, and audit committee. While the external mechanism is a company's control mechanism in addition to using internal mechanisms, such as controlling the control function that operates through market competition by disciplining management behavior (Ilmi et al., 2017).

Firm size is a comparison to classify the size of the company through several indicators, namely: stock market value, log size, total assets, and others. (Tampubolon & Siregar, 2019; Randy, 2011). The size of a company will affect the ability to bear risks arising from various situations faced by the company. Large companies have lower risk than small companies. This is because the market conditions of large companies have very good control, so they are able to compete in the market. In addition, large companies have more resources to increase company value because they have good access to external information than small companies (Ryantama et al., 2021).

According Thio Lie Sha (2022), Tang & Fiorentina (2021), Hunah et al.(2021), *Leverage is debt used by the company in order to finance its assets to carry out the company's activities so that it can operate properly. When the debt owned by the company is getting bigger, the level of risk will also be getting bigger. Therefore the company will try to increase profits so as not to experience liquidation or be threatened with default (default fisk).*

Firm performance is the result of management activities, this result is or the overall level of success during a certain period in carrying out tasks (Tahir et al., 2015). Company performance is also a formal effort that has been made by a company that can measure the company's success in generating profits (Ginting, 2016). So that you can see the good prospects, growth, and development potential of the company by relying on resources. A company can be said to be successful if it has achieved the standards and goals that have been set.

Management entrenchment is a form of defense of company managers which can be seen from the term of office of the main director. The main director is a position that can be said to be high in a company so that it can trigger employees to reach that position. From the lead director's tenure in earnings management found that there are managers who are careful when they first hold high positions in management, and then as the year goes by they will become aggressive. When they have achieved earnings manipulation at the highest level, they will again be careful and report earnings in a non-aggressive manner (Tang & Fiorentina, 2021).

Several previous studies regarding this research have previously been carried out by several researchers such as (Ryantama et al., 2021), (Thio Lie Sha, 2022), (Pernamasari et al., 2020). Some of these previous studies still have weaknesses. So on this basis, this study aims to determine the Effect of Good Corporate Governance, Firm Size, Leverage, and Firm Performance on Earnings Management with Management Entrenchment as a Moderating Variable.

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METHODS

The type of data used in this research is secondary data obtained from the Indonesia Stock Exchange (IDX) in the form of financial statements of Real Estate and Property companies listed on the Indonesia Stock Exchange 2018-2021. The official website of the Indonesia Stock Exchange (www.idx.co.id) and the company's official website are used to collect data.

This study uses the method of multiple linear regression analysis. The sampling technique used purposive sampling method. Based on the results of the sampling process, the number of samples for this study were 64 companies. The detailed sampling criteria are as follows: 1) Real Estate and Property Companies listed on the Indonesia Stock Exchange (IDX); 2) Real Estate and Property companies that are listed on the Indonesia Stock Exchange (IDX) and have complete data regarding Good Corporate Governance, firm size, Leverage and firm Performance during 2018-2021; 3) Real Estate and Property Companies publish financial reports for the 2018-2021 period; 4) Real Estate and Property Companies that do not experience losses.

In this research, hypothesis testing uses multiple linear regression analysis. This analysis explains the relationship between the dependent variable and several independent variables through the form of equations and aims to determine whether the moderating variable will strengthen or weaken the relationship between the dependent variable and the independent variable. The regression equation model to be tested in this study is as follows:

Equation 1

$$EM = \alpha + b1DK + b2DD + b3KA + b4FS + b5LEV + b6FP + e \quad (1)$$

Equation 2

$$EM = \alpha + b1DK + b2DD + b3KA + b4FS + b5LEV + b6FP + b7ME + b8|DK*ME| + b9|DD*ME| + b10|KA*ME| + b11|FS*ME| + b12|LEV* ME| + b13|FP*ME| + e \quad (2)$$

Information:

DK : Board of Commissioners
DD : Board of Directors
KA : Audit Committee
FS : Firm Size
LEV : Leverage
FP : Firm Performance
ME : Management Entrepreneurship
DK*ME :Interaction between the Board of Commissioners and Management Entrenchment
DD*ME : Interaction between the Board of Directors and Management Entrenchment
KA*ME : Interaction between Audit Committee and Management Entrenchment
FS*ME : Interaction between Firm Size and Management Entrenchment
LEV*ME : Interaction between Leverage and Management Entrenchment
FP*ME : Interaction between Firm Performance and Management Entrenchment

The hypothesis proposed in the study is as follows:

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H1 : The board of commissioners has a significant effect on earnings management
H2 : The board of directors has a significant effect on earnings management
H3 : The audit committee has a significant effect on earnings management
H4 : Firm size has a significant effect on earnings management
H5 : Leverage has a significant effect on earnings management
H6 : Firm performance has a significant effect on earnings management
H7 : Management entrenchment moderates the board of commissioners' significant effect on earnings management
H8 : Management entrenchment moderates the board of directors' significant effect on earnings management
H9 : Management entrenchment moderates the audit committee's significant effect on earnings management
H10 : Management entrenchment moderates the significant effect of firm size on earnings management
H11 : Management entrenchment moderates the significant effect of leverage on earnings management
H12 : Management entrenchment moderates the significant effect of firm performance on earnings management

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Table 1. Results of Descriptive Statistical Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
DK	68	2,00	16,00	4,8235	3,01212
DD	68	2,00	11,00	5,2059	2,23646
KA	68	2,00	5,00	3,1029	0,39169
FS	68	27,47	31,75	29,6265	1,23127
LEV	68	0,03	0,79	0,3524	0,18198
FP	68	0,01	19,97	5,1614	4,19658
ME	68	1,00	5,00	4,2647	1,30003
EM	68	-1,19	0,29	-0,4187	0,23708
DK*ME	68	2,00	80,00	21,5588	16,59921
DD*ME	68	2,00	55,00	23,2647	13,20065
KA*ME	68	3,00	20,00	13,1618	4,20593
FS*ME	68	28,11	158,75	126,9119	40,28125
LEV*ME	68	0,13	3,18	1,4457	0,84421
FP*ME	68	0,04	99,86	23,3239	21,49054

Source: SPSS Data Processing Results, (2023)

Based on the results of the descriptive statistical test in table 1 as follows, the Varibael for the Board of Commissioners shows a minimum score of 2.00; maximum value 16.00; average value (mean) 4.8235; and the standard deviation value is 3.01212. The Board of Directors variable shows a minimum result of 2.00; maximum value 11.00; average value (mean) 5.2059; and the standard deviation value is 2.23646. The Audit Committee variable shows a minimum result of 2.00; maximum value 5.00; average value (mean) 3.1029; and the standard deviation value is 0.39169.

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The Firm Size variable shows a minimum result of 27.47; maximum value 31.75; average value (mean) 29.6265; and the standard deviation value is 1.23127. Leverage variable shows a minimum yield of 0.03; maximum value 0.79; average value (mean) 0.3524; and the standard deviation value is 0.18198. The Firm Performance variable shows a minimum value of 0.01; maximum value 19.97; average value (mean) 5.1614; standard deviation value of 4.19658. The Management Entrenchment variable shows a minimum value of 1.00; maximum value 5.00; average value (mean) 4.2647; and the standard deviation value is 1.30003. The Earnings Management variable shows a minimum value of -1.19; maximum value 0.29; average value (mean) -0.4187; and the standard deviation value is 0.23708. The Board of Commissioners and Management Entrenchment variables show a minimum value of 2.00; maximum value 80.00; average value (mean) 21.5588; and the standard deviation value is 16.59921. The Board of Directors and Management Entrenchment variables show a minimum value of 2.00; maximum value 55.00; average value (mean) 23.2647; and the standard deviation value is 13.20065. The Audit Committee and Management Entrenchment variables show a minimum value of 3.00; maximum value 20.00; average value (mean) 13.1618; and the standard deviation value is 4.20593. The Firm Size and Management Entrenchment variables show a minimum value of 28.11; maximum value 158.75; average value (mean) 126.9119; and the standard deviation value is 40.28125. The Leverage and Management Entrenchment variables show a minimum value of 0.13; maximum value 3.18; average value (mean) 1.4457; and the standard deviation value is 0.84421. Firm Performance and Management Entrenchment variables show a minimum result of 0.04; maximum value 99.86; average value (mean) 23.3239; and the standard deviation value is 21.49054.

Multiple Linear Regression Analysis

Table 2. Multiple Linear Regression Test Results

Variable	Equation 1			Equation 2		
	Beta	t	Sig.	Beta	t	Sig.
Konstant	-1,83295	-1,69619	0,09495	-21,36262	-4,66099	0,00002
DK	0,00034	0,02634	0,97907	0,88609	4,22029	0,00009
DD	-0,05181	-2,08436	0,04132	-0,70120	-4,80030	0,00001
KA	-0,03862	-0,44887	0,65511	-0,83050	-3,10471	0,00303
FS	0,05666	1,37618	0,17380	0,80996	4,40321	0,00005
LEV	0,49834	2,59968	0,01169	-0,34021	-0,43684	0,66397
FP	-0,01009	-1,34717	0,18291	-0,01034	-0,23172	0,81763
ME				4,20486	4,23116	0,00009
DK*ME				-0,17755	-4,18075	0,00011
DD*ME				0,13293	4,40172	0,00005
KA*ME				0,14978	2,29814	0,02545
FS*ME				-0,16067	-4,05667	0,00016
LEV*ME				0,19569	1,06602	0,29116
FP*ME				0,00055	0,05896	0,95320
Adj. R Square		0,19169			0,39384	
F		3,64818			4,34864	
Sig		0,004			0,000	

Source: SPSS Data Processing Results, (2023)

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Based on the results of the regression test in table 2, the regression equation can be written as follows:

Equation 1:

EM = -1,83295 + 0,00034 DK – 0,05181 DD - 0,03862 KA + 0,05666 FS + 0,49834 LEV – 0,01009 FP + e

Equation 2:

M = -21,36262 + 0,88609 DK – 0,70120 DD – 0,83050 KA + 0,80996 FS – 0,34021 LEV – 0,01034 FP + 4,20486 ME – 0,17755 DK*ME + 0,13293 DD*ME + 0,14978 KA*ME – 0,16067 FS*ME + 0,19569 LEV*ME + 0,00055 FP*ME + e

Based on the multiple linear regression equation, it can be interpreted as follows:

The constant value is -1.83295, which means that if the variables of the board of commissioners, board of directors, audit committee, firm size, leverage and firm performance = 0, then the value of the earnings management variable is -1.83295. The board of commissioners variable is 0.00034 in a positive direction. This means that the higher the board of commissioners, the lower the earnings management, conversely the lower the board of commissioners, the higher the earnings management. The board of directors variable is -0.05181 with a negative direction. This means that the lower the board of directors, the higher the potential for earnings management, conversely, the higher the board of directors, the lower the potential for earnings management. The audit committee variable is -0.03862 with a negative direction. This means that the lower the audit committee, the higher the potential for earnings management, conversely the higher the audit committee, the lower the potential for earnings management. The firm size variable is 0.05666 with a positive direction. This means that the higher the firm size, the lower the potential for earnings management, conversely, the lower the firm size, the higher the potential for earnings management. The leverage variable is 0.49834 in a positive direction. This means that the higher the leverage, the lower the potential for earnings management, conversely, the lower the leverage, the higher the potential for earnings management.

The firm performance variable is -0.01009 with a negative direction. This means that the lower the firm performance, the higher the potential for earnings management, conversely, the higher the leverage, the lower the potential for earnings management. The management entrenchment variable is 4.20486 in a positive direction. This means that the higher the management entrenchment, the lower the potential for earnings management, conversely the lower the management entrenchment, the higher the potential for earnings management. The board of commissioners*management entrenchment variable is -0.17755 with a negative direction. This means that the lower the board of commissioners*management entrenchment, the higher the potential for earnings management, conversely the higher the board of commissioners*management entrenchment, the lower the potential for earnings management. The board of directors*management entrenchment variable is 0.13293 with a positive direction. This means that the higher the board of directors*management entrenchment, the lower the potential for earnings management, conversely the lower the board of directors*management entrenchment,

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the higher the potential for earnings management. The audit committee*management entrenchment variable is 0.14978 with a positive direction. This means that the higher the audit*management entrenchment committee, the lower the potential for earnings management, conversely the lower the audit*management entrenchment committee, the higher the potential for earnings management. The firm size*management entrenchment variable is -0.16067 with a negative direction. This means that the lower the firm size*management entrenchment, the higher the potential for earnings management, conversely the higher the firm size*management entrenchment, the lower the potential for earnings management. The leverage*management entrenchment variable is 0.19569 with a positive direction. This means that the higher the leverage*management entrenchment, the lower the potential for earnings management, conversely the lower the leverage*management entrenchment, the higher the potential for earnings management. The firm performance*management entrenchment variable is 0.00055 with a positive direction. This means that the higher the firm performance*management entrenchment, the lower the potential for earnings management, conversely the lower the firm performance*management entrenchment, the higher the potential for earnings management.

Classic assumption test

Normality test

Table 3. Normality Test Results

Variable	Equation 1		Equation 2	
	Asymp. Sig. (2 tailed)	Description	Asymp. Sig. (2 tailed)	Description
Unstandardized Residual	0,200	Normal	0,200	Normal

Source: SPSS Data Processing Results, (2023)

Based on the results of the normality test using the Kolmogorov-Smirnov test in table 3 it shows that equation 1 produces an Asymp value. Sig. (2 tailed) of 0.200 and equation 2 produces the Asymp value. Sig. (2 tailed) of 0.200 or greater than 0.05, it can be concluded that the data is normally distributed.

Multicollinearity Test

Table 4. Multicollinearity Test Results

Variable	Equation 1		Equation 2		Information
	Tolerance	*VIF*	*Tolerance*	*VIF*	
DK	0,456	2,192	0,001	786,502	Multicollinearity does not occur
DD	0,219	4,558	0,005	209,876	Multicollinearity does not occur
KA	0,597	1,675	0,046	21,588	Multicollinearity does not occur
FS	0,264	3,790	0,010	100,875	Multicollinearity does not occur
LEV	0,557	1,794	0,025	39,497	Multicollinearity does not

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					occur
FP	0,687	1,457	0,015	68,900	Multicollinearity does not occur
ME			0,000	3282,311	Multicollinearity does not occur
DK*ME			0,001	977,202	Multicollinearity does not occur
DD*ME			0,003	312,544	Multicollinearity does not occur
KA*ME			0,007	147,771	Multicollinearity does not occur
FS*ME			0,000	5005,010	Multicollinearity does not occur
LEV*ME			0,021	47,227	Multicollinearity does not occur
FP*ME			0,013	79,676	Multicollinearity does not occur

Source: SPSS Data Processing Results, (2023)

Based on the results of the multicollinearity test in table 4, it shows equation 1 on the board of commissioners, board of directors, audit committee, firm size, leverage, and firm performance variables having a tolerance value of more than 0.10 and a VIF value of less than 10, it can be concluded that equation 1 multicollinearity does not occur. Whereas in equation 2 on the variables of the board of commissioners, board of directors, audit committee, firm size, leverage, firm performance, management entrenchment, board of commissioners*management entrenchment, board of directors*management entrenchment, audit committee*management entrenchment, firm size*management entrenchment, leverage*management entrenchment, and firm performance*management entrenchment have a tolerance value of more than 0.10 and a VIF value of less than 10, it can be concluded that multicollinearity does not occur in equation 2.

Autocorrelation Test

Table 5. Autocorrelation Test Results

	Equation 1 Unstandardized Residual	Equation 2 Unstandardized Residual
Test Value[a]	-0,01446	-0,01450
Cases < Test Value	34	34
Cases >= Test Value	34	34
Total Cases	68	68
Number of Runs	31	27
Z	-0,977	-1,955
Asymp. Sig. (2-tailed)	0,328	0,051

Source: SPSS Data Processing Results, (2023)

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Based on the results of the autocorrelation test using the run test in table 5 equation 1 shows the run test value is -0.01446 with a probability of 0.328, while in equation 2 it shows the run test value is -0.01450 with a probability of 0.051, the two equations are significantly above at 0.05 so that it can be concluded that equations 1 and 2 are random or there is no autocorrelation between residual values.

Heteroscedasticity Test

Table 6. Heteroscedasticity Test

Variable	Equation 1 Sig. (2-tailed)	Equation 2 Sig. (2-tailed)	Information
DK	0,119	0,187	Heteroscedasticity does not occur
DD	0,646	0,996	Heteroscedasticity does not occur
KA	0,637	0,939	Heteroscedasticity does not occur
FS	0,563	0,991	Heteroscedasticity does not occur
LEV	0,563	0,459	Heteroscedasticity does not occur
FP	0,930	0,942	Heteroscedasticity does not occur
ME		0,729	Heteroscedasticity does not occur
DK*ME		0,170	Heteroscedasticity does not occur
DD*ME		0,974	Heteroscedasticity does not occur
KA*ME		0,426	Heteroscedasticity does not occur
FS*ME		0,958	Heteroscedasticity does not occur
LEV*ME		0,952	Heteroscedasticity does not occur
FP*ME		0,913	Heteroscedasticity does not occur

Source: SPSS Data Processing Results, (2023)

Based on the results of the Heteroscedasticity Test using the Spearman rank test in table 6 equation 1 shows a significant value for the board of commissioners variable 0.119, the board of directors 0.646, the audit committee 0.637, firm size 0.563, leverage 0.563, and firm performance 0.930 the significant value of all variables is greater than 0 .05, it can be concluded that the model does not have heteroscedasticity. While equation 2 shows a significant value for the board of commissioners variable 0.187, board of directors 0.996, audit committee 0.939, firm size 0.991, leverage 0.459, firm performance 0.942, management entrenchment 0.729, board of commissioners*management entrenchment 0.170, board of directors*management entrenchment 0.974, committee audit*management entrenchment 0.426, firm size*management entrenchment 0.958, leverage*management entrenchment 0.952, and firm performance*management entrenchment 0.913 the significant value of all variables is greater than 0.05, it can be concluded that the model does not have heteroscedasticity.

Determination Coefficient Test

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Table 7. Determination Coefficient Test

Equation 1				Equation 2			
R	R Square	Adjusted R Square	Std. Error of the Estimate	R	R Square	Adjusted R Square	Std. Error of the Estimate
0,514[a]	0,264	0,192	0,21315	0,715	0,511	0,394	0,18458

Source: SPSS Data Processing Results, (2023)

Based on the test results for the coefficient of determination in table 7, it can be seen that the adjusted R2 value in equation 1 is 0.192, which means that the dependent variable that can be explained by the independent variable is 19.2%. This shows that 19.2% of earnings management (EM) is explained by the board of commissioners (DK), board of directors (DD), audit committee (KA), firm size (FS), leverage (LEV), and firm performance (FP) while the remaining 80.8% is influenced by other variables not analyzed in this study. Whereas in equation 2 after adding the moderating variable in table 7 it shows Adjusted R2 of 0.394, which means the dependent variable that can be explained by the independent variable is 39.4%. This shows that 39.4% of earnings management (EM) is explained by the board of commissioners (DK), board of directors (DD), audit committee (KA), firm size (FS), leverage (LEV), firm performance (FP), management entrenchment (ME), DK*ME, DD*ME, KA*ME, FS*ME, LEV*ME, and FP*ME while the remaining 60.6% is influenced by other variables not analyzed in this study.

Statistical Test F

Table 8. Statistical Test F

	Equation 1					Equation 2				
	Sum of Squares	Df	Mean Square	F	Sig.	Sum of Squares	df	Mean Square	F	Sig.
Regression	0,995	6	0,166	3,648	0,004[b]	1,926	13	0,148	4,349	0,000[b]
Residual	2,771	61	0,045			1,840	54	0,034		
Total	3,766	67				3,766	67			

Source: SPSS Data Processing Results, 2023

Based on the results of the F statistical test in table 8, the F value in equation 1 is 3.648 with a significance value of 0.004. This shows that simultaneously earnings management (EM) can be explained by the board of commissioners (DK), the board of directors (DD), the audit committee (KA), firm size (FS), leverage (LEV), and firm performance (FP). Whereas in equation 2 it produces an F value of 4.349 with a significance value of 0.000. This shows that simultaneously earnings management (EM) can be explained by the board of commissioners (DK), the board of directors (DD), the audit committee (KA), firm size (FS), leverage (LEV), firm performance (FP), and moderated between the board of commissioners*management entrenchment (DK*ME), moderation between the board of directors*management entrenchment (DD*ME), moderation between audit committee*management entrenchment (KA*ME), moderation between firm size*management entrenchment (FS*ME)), moderation

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between leverage*management entrenchment (LEV*ME), and moderation between firm performance*management entrenchment (FP*ME).

Statistical Test T

Table 9. Statistical Test T

Model	T	Sig.	Information
DK	0,02634	0,97907	The hypothesis is rejected
DD	-2,08436	0,04132	The hypothesis is accepted
KA	-0,44887	0,65511	The hypothesis is rejected
FS	1,37618	0,17380	The hypothesis is rejected
LEV	2,59968	0,01169	The hypothesis is accepted
FP	-1,34717	0,18291	The hypothesis is rejected
DK*ME	-4,18075	0,00011	The hypothesis is accepted
DD*ME	4,40172	0,00005	The hypothesis is accepted
KA*ME	2,29814	0,02545	The hypothesis is accepted
FS*ME	-4,05667	0,00016	The hypothesis is accepted
LEV*ME	1,06602	0,29116	The hypothesis is rejected
FP*ME	0,05896	0,95320	The hypothesis is rejected

Source: SPSS Data Processing Results, 2023

Based on table 9 it can be interpreted as follows, The board of commissioners variable (DK) produces a significant value of 0.97907, which means a significant value is greater than 0.05. This shows that the board of commissioners (DK) variable has no significant effect on earnings management (EM). The board of directors variable (DD) produces a significant value of 0.04132, which means that the significant value is less than 0.05. This shows that the board of directors variable (DD) has a significant negative effect on earnings management (EM). The audit committee variable (KA) produces a significant value of 0.65511 which means the significant value is greater than 0.05. This shows that the variable audit committee (KA) has no significant effect on earnings management (EM).

The firm size (FS) variable produces a significant value of 0.17380, which means the significant value is greater than 0.05. This shows that firm size (FS) has no significant effect on earnings management (EM). The leverage variable (LEV) produces a significant value of 0.01169 which means the significant value is less than 0.05. This shows that the leverage variable (LEV) has a significant effect on earnings management (EM). The firm performance (FP) variable produces a significant value of 0.18291, which means the significant value is greater than 0.05. This shows that firm performance (FP) has no significant effect on earnings management (EM). The board of commissioners variable moderated by management entrenchment (DK*ME) produces a significant value of 0.00009, which means a significant value is less than 0.05. This shows that the board of commissioners variable which is moderated by management entrenchment (DK*ME) has a significant negative effect on earnings management (EM). The board of directors variable moderated by management entrenchment (DD*ME) produces a significant value of 0.00011, which means that the significant value is less than 0.05. This shows that the board of directors variable which

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is moderated by management entrenchment (DD*ME) is able to strengthen the influence of the board of directors on earnings management (EM). The audit committee variable moderated by management entrenchment (KA*ME) yields a significant value of 0.02545, which means that the significant value is less than 0.05. This shows that the audit committee variable which is moderated by management entrenchment (KA*ME) is able to strengthen the influence of the board of directors on earnings management (EM).

The firm size variable moderated by management entrenchment (FS*ME) produces a significant value of 0.00016, which means that the significant value is less than 0.05. This shows that firm size variable which is moderated by management entrenchment (FS*ME) has a significant negative effect on earnings management (EM). The leverage variable moderated by management entrenchment (LEV*ME) yields a significant value of 0.29116, which means that the significant value is greater than 0.05. This shows that the leverage variable which is moderated by management entrenchment (LEV*ME) has no significant effect on earnings management (EM). The firm performance variable moderated by management entrenchment (FP*ME) produces a significant value of 0.95320, which means a significant value greater than 0.05. This shows that the variable firm performance moderated by management entrenchment (FP*ME) has no significant effect on earnings management (EM).

CONCLUSION

Based on the results of the analysis and discussion, it can be concluded that the board of commissioners has no effect on earnings management. This shows that the board of commissioners is not a factor that influences earnings management. The board of directors influences earnings management. This shows that the board of directors is a factor that influences earnings management. The audit committee has no influence on earnings management. This shows that the audit committee is not a factor that influences earnings management. Firm size has no effect on earnings management. This shows that firm size is not a factor that influences earnings management. Leverage affects earnings management. This shows that leverage is a factor that influences earnings management. Firm performance has no effect on earnings management. This shows that firm performance is not a factor that influences earnings management. The board of commissioners moderated by management entrenchment has a negative effect on earnings management. This shows that management entrenchment can weaken the board of commissioners' variables on earnings management. The board of directors moderated by management entrenchment has an effect on earnings management. This shows that management entrenchment can strengthen the board of directors variable on earnings management. The audit committee, which is moderated by management entrenchment, has an effect on earnings management. This shows that management entrenchment can strengthen audit committee variables on earnings management. Firm size moderated by management entrenchment has a negative effect on earnings management. This shows that entrenchment management can weaken the firm size variable on earnings management. Leverage moderated by management entrenchment has no effect on earnings management. This shows that management entrenchment cannot strengthen

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or weaken the leverage variable on earnings management. Firm performance moderated by management entrenchment has no effect on earnings management. This shows that entrenchment management cannot strengthen or weaken the firm performance variable on earnings management.

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