International Journal of Research in Commerce and Management Studies

ISSN 2582-2292

Vol. 7, No. 05 Sep-Oct; 2025 Page. No. 421-436

To cite this article: Muhammad Miqdad and Muhammad Giffari Dewantara (2025). THE ROLE OF CORPORATE GOVERNANCE AND ASSET SIZE TOWARDS QUALITY OF EARNINGS AND INVESTOR REACTION, International Journal of Research in Commerce and Management Studies (IJRCMS) 7 (5): 421-436 Article No. 515 Sub Id 907

THE ROLE OF CORPORATE GOVERNANCE AND ASSET SIZE TOWARDS QUALITY OF EARNINGS AND INVESTOR REACTION

Muhammad Miqdad and Muhammad Giffari Dewantara

Accounting Department – Faculty of Economic and Business – University of Jember

Master of Management-University of Brawijaya

DOI: https://doi.org/10.38193/IJRCMS.2025.7533

ABSTRACT

Good Corporate Governance (GCG) is one alternative to eliminate earnings management (as a proxy for the usefulness of accounting information). The existence of GCG elements is expected to improve the quality of GCG implementation. The study is based on three grand theories, namely agency theory, signaling theory, and positive accounting theory. The objectives of the study were to analyze: (1) the impact of corporate governance structure and (2) the effect of the political cost (asset size as proxy) on earnings management, (3) the impact of earnings management on the earnings response coefficient (ERC). The samples of the study were 122 public firms from the non-financial industry listed on the Indonesian Stock Exchange in 2010-2014. The research data were processed by the Statistical Package for the Social Sciences (SPSS). The result of the study was that institutional ownership, management ownership, and the proportion of the board independent commissioners were variables that significantly influenced on usefulness of accounting information that was proxied by earnings management. The total number of board commissioners and asset size were variables that do not affect earnings management. Meanwhile, the main finding of the study was that earnings management as a signal could be responded to by markets (investor or potential investor), which showed that earnings management affects ERC

KEYWORDS: Earnings management, agency theory, signalling theory, positive accounting theory, earnings response coefficient, usefulness accounting information, corporate governance, political cost.

1. INTRODUCTION

In Indonesia, Good Corporate Governance (GCG) has been regulated in several laws and regulation, so that the implementation of GCG principles are driven by the compliance with regulations (such as the Company Act No.40/2007), BAPEPAM-LK law, Bank Indonesia Regulation No. 8/4/PBI/2006 amended into No. 8/14/2006 regulated about GCG Regulation of commercial bank). The result of research conducted by The Indonesian Institute for Corporate Governance (IICG) on 52 public companies (including LQ45 period July 2000 until June 2001) shows that most of all respondent expressed the important of GCG, whereas 65% respondents expressed implementing GCG indeed of regulation and 30% stated that GCG is a part of corporate culture.

The implementation of GCG is expected to improve the performance and added value of the firm. The increasing of firm's performance have an impact on the welfare of management and shareholders. On the other hand, the management potentially perform actions in choosing accounting policies that have a positive impact on their own interests, and it is very likely that what has been done by the management will have negative impact for the owner of the firm (Jensen dan Meckling, 1976; Fama and Jensen, 1983; Shleifer and Vishny, 1997).

Shleifer and Vishny (1997) argued that corporate governance is a mechanism that can be used to ensure the financial suppliers or the capital owner get a refund (return) from the activities run by the manager, or in other words how the capital owner controlling the manager. This opinion pays more attention on the capital owners for the expected return on the funds invested. Manager as an agent should separate their interest from the capital owner. Previous empirical studies related to the influence of corporate governance on earnings management showed inconsistency significance or direction of the influence.

Earnings management arise when accounting researchers tried to relate the relationship between a certain economic variable and manager's effort to take advantage of that variable. Excessive earnings management could reduce the usefulness of financial reporting in the view of investors (Scott, 2009: 403). One of reasons managers do the earnings management is related to the amount of earnings as an indicator to measure management's performance. Thus, earnings management is done for the benefit of the amount of bonuses that is calculated based on earnings. Therefore, it is not surprising that managers often make an effort to highlight their achievements from the earnings they earned.

Large firms are more sensitive politically than small firms; therefore the managers of large firm tend to choose accounting methods with lower political cost. Managers of large firms have a tendency to choose accounting policies that could postpone in reporting earnings, from the current period to the next period (Scott, 2009). The proxy that is used in political cost hypothesis is firm size. The firms that have large assets will be the focus of public attention related to the transfer of welfare among the parties interacting.

Firms can increase the value of firms by reducing the asymmetric information. Leland and Pyle (1922) stated that managers have a good information about the firms will try to convey to investor to make the stock price increases. Similar statement stated by Wolk *et al.* (2004) that the disclosure of financial information that can be trusted will reduce uncertainty of the firm prospect in the future. Earnings

ISSN 2582-2292
Vol. 7, No. 05 Sep-Oct; 2025 Page. No. 421-436

management practices as a signal given by the management. Investors concerned about that signals given by management related to investment decision that will be made.

The purpose of this study is to analyze, assess, and prove empirically: (1) the influence of institutional ownership, management ownership, the proportion of independent board, and the board size; (2) the influence of firm size on earnings management; (3) the influence of earnings management on Earnings Response Coefficient (ERC). This study is based on three grand theories that is agency theory, signaling theory, positive accounting theory.

2. LITERATURE REVIEW AND HYPHOTESIS DEVELOPMENT

2.1 Corporate Governance

GCG in Indonesia implicitly and explicitly have been regulated in several laws and regulations so that one of the drivers of the implementation of corporate governance principles in Indonesia is the regulatory compliance. Act No. 40/2007 on Limited Liability Companies have noticed the latest development of business world and also pay attention on corporate governance practices as the values and concepts contained in that regulation.

In Indonesia, the structure of corporate governance regulated in Company Act No. 40/2007. Generally, the structure of corporate governance is based on two board systems. The main difference lies on the position of commissioners that is not directly in charge of the board of directors. This is in accordance with company act No. 40/2007 that the board members are appointed and dismissed by the General Meeting of Shareholders or Indonesian called by RUPS (Rapat Umum Pemegang Saham) (articles 94 (1) and articles 105 (1)). In addition, the position of board member is also appointed and dismissed by RUPS (article 111 (1)). Thus, both of board members and the commissioner are responsible to RUPS. Corporate governance structure put the board of directors equally have impact on the lack of effectiveness monitoring function because the board of direction considered as partners. Here is a picture of the structure of corporate governance for Indonesia’s firm with reference to the Company Act No. 40/2007.

The implementation of GCG is an alternative to reduce earnings management. Good corporate governance is believed to increase the quality of accounting information or decrease the accounting engineering. Excessive accounting engineering may reduce the usefulness of financial statements in view of investors (Scott, 2009: 403).

2.2 Agency Theory

Agency theory explained the contractual relationship between the principals and the agents. The principal is the party that gives a mandate to the other party (the agent) to carry out all the activities

International Journal of Research in Commerce and Management Studies

ISSN 2582-2292

Vol. 7, No. 05 Sep-Oct; 2025 Page. No. 421-436

on the behalf of principals in his capacity as decision makers. The process of giving mandate by the principals to the agents originally described by Berle and Means (1932) stated that the development of firms bring the consequences the need for separation between ownership and management control over a modern firm, so it creates a monitoring mechanism for the agent to act in accordance to the interest of the firm's owner.

The thought of Berle and Means, further developed by Jensen and Meckling (1976) by introducing what is known as "agency theory." This theory is still relevant to explain the variables studied, especially in financial accounting and capital markets. To define the agency relationship, Jensen and Meckling (1976) stated that agency relationship is a contract made by one person or more (in this case is the principal) and others (in this case is the agent), to carry out activities or services that delegated and make decisions under their authority.

2.3 Signaling Theory

Signaling theory explained why firms have an incentive to provide information on external financial reports. Encouragement to the firms to provide information is the existence of asymmetry information between managements and investors because managers know more about the firm and upcoming prospect than outsiders (investors and creditors).

Signaling theory stated how a firm should give a signal to users of the financial statements. The form of this signal is the information of what have been done by management to meet the owners expectation. This signal can be a form of promotion includes the information of firm's prospects stating that the firm is better than other firms. This theory was first proposed by Akerlof (1970). This theory puts managements, as the receiver of mandate that is given by the owner, have responsibility to report information about performance, financial position, and other related circumstances to the owner.

2.4 Positive Accounting Theory

Positive accounting theory (PAT) focused on the ability to explain and predict accounting practices. This theory is helpful to understand and predict changes in the firm's accounting. The accounting policies formulated by the management, the substance are to respond the proposed new accounting standard. This is analogous with what was stated by Scott (2009: 284), that:

> Positive accounting theory (PAT) is concerned with predicting such actions as the choices of accounting policies by the firm managers and how managers will respond to proposed new accounting standards.

ISSN 2582-2292

Vol. 7, No. 05 Sep-Oct; 2025 Page. No. 421-436

2.5 Research Hypothesis

Agency theory explained the conflict of interest between management, firm's owner, and creditors (Jensen and Meckling, 1976). Managements concerned to increase bonuses, salaries and other personal facilities through the selection of accounting policies selected. Shareholders concerned to dividend and increasing firm's stock exchange price. Creditors concerned about the safety of credit fund on loans and interest income. In addition, conflict of interest also exists between majority and minority stakeholders. To regulate the relationship between agents and suppress their potential conflicts, it should be regulated in the agreement (contract) governing the rights and the obligations of each parties. The agency relationship is a contract made by one person or more (in this case of the owner or principal) and others (in this case of agent or mandate's receiver), to carry out activities or services that have been delegated and make decisions under their authority (Jensen and Meckling, 1976). This theory is a reference in describing the structure of corporate governance on earnings management. The role played by elements within the structure of corporate governance (institutional ownership, management ownership, the proportion of independent board and board size) is expected to reduce earnings management practices.

Institutional ownership is an ownership by an organization (both government organizations and private organizations) that have great interest on its investment. Institutional ownership have several advantages compared to other investor such as the ability to access information, excellence in Human Resources (HR) and technology mastery. Monitoring activities undertaken by institutional shareholders are expected to reduce the chance manager to perform earnings management. Studies conducted by Chung *et al.* (2002), Koh (2003, 2007), Park dan Shin (2004), Hsu dan Koh (2005), Cornett *et al*. (2006), Tarjo (2008) dan Geiger dan Smith (2010) show that institutional ownership was expected to carry out an effective monitoring in order to reduce earnings management practices. But a study conducted by Gideon (2005), shows different results that is a positive relationship between institutional ownership and earnings management. The result of study conducted by Siregar and Utama (2005) show that there is no effect of institutional ownership on earnings management.

Managerial ownership is the main corporate governance mechanisms that help to control agency problems (Jensen and Meckling, 1976). Managerial ownership is expected to encourage manager to act in accordance to owner's expectation. Goal congruence between manager's interest and shareholder's interest is expected to reduce agency problems. Management ownership on the firm's stock is seen to congruence potential conflict of interest between shareholders and management (Jansen and Meckling, 1976). Thus, the agency problem is assumed to be disappear if a manager is also an owner. The results of the study showed a negative relationship between managerial ownership and discretionary accrual (as a measure of earnings management). These studies were conducted by Dhaliwal *et al*. (1982), Morck *et al*. (1988), Warfield *et al*. (1995), Midiastuty dan Mahfoedz (2003),

International Journal of Research in Commerce and Management Studies

ISSN 2582-2292

Vol. 7, No. 05 Sep-Oct; 2025 Page. No. 421-436

Oei *et al*. (2008), Teshima dan Shuto (2008), Shuto dan Takada (2010), Li Lin (2011), dan Mustapha dan Ahmad (2011). However, the results of the study conducted by Gabrielsen *et al.* (1997) and Gideon (2005) showed a different result that is a positive relationship, but not significant, between managerial ownership and earnings management.

The Board of Commissioners has responsibility to monitor management. The monitoring carried out for the purpose of protecting shareholder's interest. Capacities and skills owned by commissioners (especially independent commissioners) is used to provide assurance that the actions taken by management is a representation of shareholder's interest. The function of monitoring performed by commissioners on managers is expected to reduce earnings management practices. The effectiveness of monitoring performed by commissioners is affected by the number of board commissioners' size. A large number of board members related to the performance still showed the pros and cons.

The existences of independent board members are expected to have a positive contribution to the aspect of monitoring and better reflect on public interests. The result of studies conducted by Dechow *et* al. (1996), Beasly (1996) dan Peasnell *et* al. (1998, 2005) showed that firms that is commit fraud or earnings management have a small number of independent commissioners compared to firms that did not commit fraud. To confirm previous studies, Xieet *et* al. (2003) stated that the more often the meeting of commissioners, the smaller of accrued managed by firm, showed by significant negative coefficient. Other studies show a negative association between the proportion of independent board and earnings management that conducted by Klein (2002), Xiet *et al*. (2003), Nasution dan Dody (2007), Chen*et al*. (2007), Cornett *et al*. (2006; 2009) dan Siagian *et al*. (2011). However the results of studies conducted by Veronica and Bachtiar (2004), Park and Shin (2004), Veronica and Utama (2005), Gideon (2005) and Rahman and Ali (2006) shows that the existences of independent board members did not correlate significantly to earnings management.

The results of studies conducted by Jensen (1993), Yermack (1996), Chtourou *et* al. (2001), Peasnell *et* al. (2001), Xie *et* al. (2003) and Yu (2006) shows that the board size is negatively related to the management earnings. In addition, the result of studies show positive association between the size of board and earnings management that is conducted by Dalton *et al*. (1999), Midiastuty dan Machfoedz (2003), Rahman dan Ali (2006) dan Nasution dan Dody (2007). The study conducted by Zhou and Chen (2004) show different result that is the board size in the commercial banks have no effect on earnings management. Managers of large firms will have a tendency or fewer opportunities to perform earnings management compared to managers of small firms.

The studies of the effect of firm size on earnings management show inconsistency result. Some studies shows that there is negative association between firm size and earnings management conducted by

International Journal of Research in Commerce and Management Studies

ISSN 2582-2292

Vol. 7, No. 05 Sep-Oct; 2025 Page. No. 421-436

Albrecth and Richardson (1990), Peasnell *et al*. (1998), Chtourou *et al*. (2001), Veronica (2005), Teshima and Shuto (2008) and Wuryani (2011). While studies conducted by Mosses (1987) and Rahmawati and Baridwan (2006) shows different results that is positive association between firm size and earnings management. These results show that manager of large firms receive more incentives when perform earnings management in order to reduce its political costs.

Empirical studies on the effect of earnings management on ERC have not been conducted in Indonesia. Bao and Bao (2004) shows that earnings management have effect on earnings management in the future. Gideon (2005) found that earnings management practices have no effect on earnings quality. Most of studies of the relationship between earnings management and ERC show that earnings management will reduce ERC.

Based on theoretical background, theories, empirical studies, process of thinking framework and conceptual framework that have been discussed earlier. The hypotheses are stated as follow:

Research Hyphothesis

The framework of hypothetical model in this study shown as following figure 1. The hypthoses are stated as follows:

H_1 : Institutional ownership has significant effect on earnings management

H_2 : Managerial ownership has significant effect on earnings management

H_3 : The proportion of independent boards has significant effect on earnings management

H_4 : The size of independent board has significant effect on earnings management

H_5: The firm size has significant effect on earnings management

H_6: Earnings management has significant effect on ERC

International Journal of Research in Commerce and Management Studies

ISSN 2582-2292

Vol. 7, No. 05 Sep-Oct; 2025 Page. No. 421-436

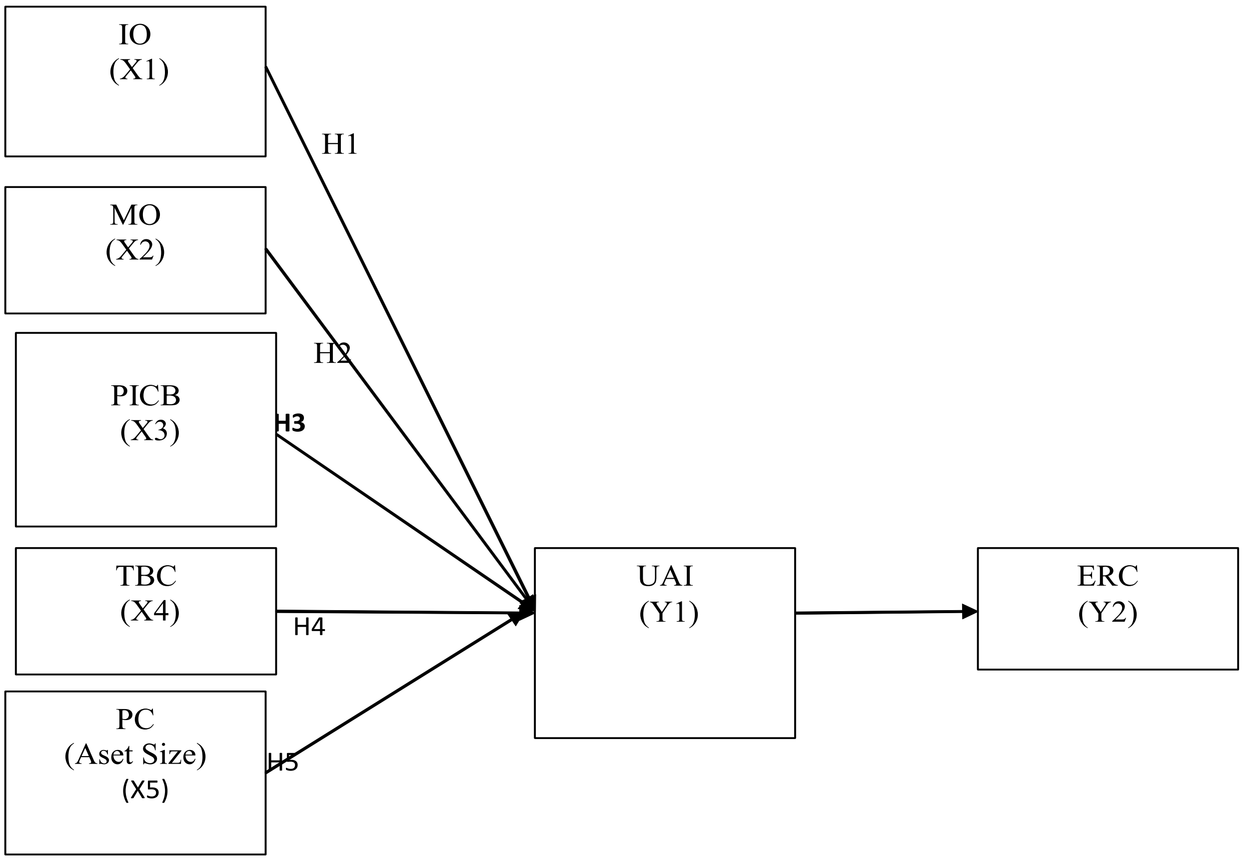

Figure 1. The Framework Model of Research Hypothesis

Description:

Institutional Ownership	: IO
Managerial Ownership	: MO
The Proportion of Independent Commissioners Board	: PICB
The Total of Board of Ccommissioners	: TBC
Political Cost	: PC
Earnings Management (EM)	: EM
Earnings Response Coefficient	: ERC

3. RESEARCH METHOD

The paradigm used in this study is positivism paradigm. In quantitative research, testing through the measurement of variable research is conducted with numbers and performing statistical data with analysis procedures.

This research was included in the category of explanatory research design. The reason is that this study aimed to analyze the relationship or the influence of one variable to another through hypothesis testing. The number of firms that used for sample (target population) is 122 non-financial public firms.

Table 1. The Matrix of Variable Measurement

VARIABLES	VARIABLES MEASUREMENT	SCALE
Earning Response Coefficient	Regression between proxy stock price (Cumulative Abnormal Return) and accounting earnings (Unexpected Earnings)	Ratio
Usefulness Accounting Information	Proxied by earnings management, measured by using Modified Jones Models	Ratio
Institutional Ownership	The ratio of shares owned by institution of the total shares of the firms	Ratio
Managerial Ownership	The ratio of shares owned by management of the total shares of the firms	Ratio
The Proportion of Independent Commissioners Board	The ratio of the number of independent directors of the total board members commissioners	Ratio
The Board Size	The number of commissioners	Ratio
Firm Size	The value of the natural logarithm of total assets of the firm	Ratio

Data was analyzed *by using Statistical Package for Social Science (SPSS*).

4. DATA ANALYSIS AND DISCUSSIONS

The Result of Study

In this study, there are two (2) equation models, as follows:

International Journal of Research in Commerce and Management Studies

ISSN 2582-2292

Vol. 7, No. 05 Sep-Oct; 2025 Page. No. 421-436

Model I :

$$UAI = b_0 + b_1IO + b_2MO + b_3PICB + b_4TBC + b_5AS + €$$

Model II:

$$ERC = c_0 + c_1UAI + €$$

The result of hypothesis testing of equation model I conducted by SPSS can be viewed in Table 2, while the result of testing of equation model II can be viewed in Table 3 as follows.

The result testing of hypothesis 1: Institutional Ownership and Earnings Management
Institutional Ownership (X1) has effect negative significantly on usefulness of accounting information as proxy of earnings management (Y1). It means that the greater the institutional ownership, the less chance for the manager to perform earnings management practices. This can be seen from the negative coefficient that is 0,086; t-value -1,989 and the value of significance probability (p) is 0,047 which is smaller than level significance that is set at 5%.

Table 2. The Hypothesis Testing of Equation Model I

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.111	.278		.398	.691
	InternationalOwnershipX1	-.002	.001	-.086	-1.989	.047
	ManagerialOwnershipX2	.018	.003	.266	6.335	.000
	PICBX3	.287	.139	.084	2.062	.040
	AssetSizeX5	-.004	.010	-.019	-.440	.660
	TBCX4	-.002	.014	-.007	-.160	.873

a. Dependent Variable: UAIY1

Institutional stock ownership is one of the elements in the structure of corporate governance. With all of the advantages possessed by the shareholders of institutions, it is expected that its presence can improve the quality of firm governance. Institutional ownership has negative effect on earnings management practices. The argument is the institutional ownership has advantages in accessing information, the particular division which focuses specifically on the investment, resources and infrastructure advantages. Thus, institutional ownership has ability to control management through effective monitoring process in order to reduce earnings management practices. The results support the study conducted by Chung *et al*. (2002), Midiastuty and Machfoedz (2003), Koh (2003; 2007), Park and Shin (2004), Hsu and Koh (2005), Cornett *et al*. (2006), Tarjo (2008) and Geiger and Smith

(2010). In addition, the result of this study differs from studies conducted by Gideon (2005) and Utama (2005).

The result testing of hypothesis 2: Management Ownership and Earnings Management
Management ownership (X_2) has effect positive significantly on usefulness accounting information, as proxy of earnings management (Y_1). It means that the greater the share ownership by management, the greater the chance for manager to performs earnings management practices. The value of positive coefficient is 0,266; t-value is 6,335 and the value of significance probability (p) is 0,000 which is smaller than level significance that is set at 5%. The results of this study have a tendency to support the results of research conducted by Gabrielsen *et al*. (1997) dan Gideon (2005). However, the result of this study differs from most of the studies that showed a negative relationship between managerial ownership and discretionary accruals (as proxy of earnings management) conducted by Dhaliwal *et al*. (1982), Morck *et al*. (1988), Warfield *et al*. (1995), Midiastuty and Mahfoedz (2003), Oei *et al*. (2008), Teshima and Shuto (2008), Shuto and Takada (2010), Li Lin (2011), and Mustapha and Ahmad (2011).

The result testing of hypothesis 3: the Proportion of Independent Commissioners and Earnings Management

The proportion of independent board (X_3) has effect positive significantly on usefulness accounting information, as proxy of earnings management (Y_1). It means that the greater the proportion of independent board (X_3), the greater chance for manager to increase earnings management (Y_1). It showed on the value of positive coefficient is 0,084; the t-value is 2,062, and the value of significance probability (p) is 0,040 which is smaller than level significance that is set at 5%. The result of this study has tendency to support the results of study conducted by Veronica and Bachtiar (2004), Park and Shin (2004), Veronica and Utama (2005), Gideon (2005) and Rahman and Ali (2006) which found that the existence of independent commissioner did not correlate significantly to earnings management. The ineffectiveness of the independent board's role has implications for corporate governance improvement related to monitoring function.

The result testing of hypothesis 4: the Size of Commissioners Board and Earnings Management
The board size (X_4) has no effect on usefulness accounting information, as proxy of earnings management (Y_1). It means that the size or the number of commissioners' board has no effect on earnings management. It showed on the value of negative coefficient is 0,07; the t-value is -0,160, and the value of significance probability (p) is 0,873 which is greater than level significance that is set at 5%. This result support studies conducted by Zhou and Chen (2004) that the board size in the commercial banks have no effect on earnings management.

International Journal of Research in Commerce and Management Studies

ISSN 2582-2292

Vol. 7, No. 05 Sep-Oct; 2025 Page. No. 421-436

The result testing of hypothesis 5: the Asset Size and Earnings Management

Asset size (X_5) has no effect on usefulness accounting information, as proxy of earnings management (Y_1). It means that the size of firm, either big or small firm, have no effect on earnings management. It showed on the value of negative coefficient is 0,19; the t-value is -0,440, and the value of significance probability (p) is 0,660 which is greater than level significance that is set at 5%. This result doesn't support majority of studies conducted by Albrecth and Richardson (1990), Peasnell *et al*. (1998), Chtourou *et al*. (2001), Veronica (2005), Teshima, Shuto (2008) and Wuryani (2011), Mosses (1987), and Rahmawati and Baridwan (2006)

The result testing of hypothesis 6: Usefulness of Accounting Information dan Earnings Response Coeffient (ERC)

The hypothesis testing for variable usefulness accounting information, as proxy of earnings management (Y_1) shows effect positive significantly on Earnings Response Coefficient (Y_2). It showed on the value of positive coefficient is 0,226; the t-value is 5,771, and the value of significance probability (p) is 0,000 which is smaller than level significance that is set at 5% (see table 2). It means the better earnings management practice, the greater market response which is proxy of Earnings Response Coefficient (ERC). This result has tendency to support study conducted by Bao and Bao (2004). In addition, the results of this study don't support study conducted by Gideon (2005).

Table 2. The Hypothesis Testing of Equation Model II

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.034	.021		-1.649	.100
	UAIY1	.264	.046	.226	5.711	.000

a. Dependent Variable: ERCY2

5. CONCLUSION, LIMITATION, AND SUGGESTION

The conclusion that can be obtain from this study is that all hypothesis is proposed in this study are supported by empirical evidence. The implementation of corporate governance structure which proxy for institutional ownership, managerial ownership, the proportion of independent board and the number of commissioners is expected to reduce earnings management practices or improve the quality of usefulness accounting information. In the equation model I, it shows that Institutional Ownership (X_1) has effect negative significantly on earnings management (Y_1), Managerial Ownership (X_2) has effect positive significantly on earnings management, the proportion of independent commissioner board (X_3) has positive effect significantly on earnings management. While the size of board commissioner (X_4) and political cost (X_5) which asset size as proxy has no effect on earnings management. In the equation model II, it shows that earnings management practices (Y_1) have positive effect significantly on earnings response coefficient (Y_2).

This study may have some limitations that is as follows:

1. Earnings management is used as proxy to measure usefulness accounting information variable still not reliable or adequate.
2. Market responses proxy using earnings response coefficient, actually more reliable to measure earnings quality.
3. The use of structure elements as proxy to measure corporate governance practice will have difficulty to make a whole and complete conclusion.

Furthermore, suggestion for further research to use larger sample, not only limited on non-financial sector firm but also in other sectors with the aim of comparable magnitude of market response among the various sectors. In addition, the used of mixed method especially in assessing corporate governance practices, as a unified whole and integrated is believed to further strengthen correlation to the quality of accounting information.

REFERENCES

Akerlof G.A., 1970. The Market for Lemons: Quality Uncertainty and the Market Mechanism. Quaterly *Journal of Economics* 84 (3): 488-500.

Bao, B.H., and Da H.Bao. 2004. Income Smoothing, Earnings Quality and Firm Valuation. *Journal of Business Finance & Accounting* 31(9) & (10): 1525-1557.

Botosan, C. 1997. Disclosure Level and The Cost of Equity Capital. *The Accounting Review*.vol 72, p. 323 – 349

Berle, A., and G. Means. 1932. *The Modern Corporation and Private Property*. New York: Mac Milan.

Chang, M., G.D. Anna, I. Watson, and M. Wee. 2008. Does Disclosure Quality via Investor Relations Affect Information Asymmetry? *Australian Journal of Management* 33 (2): 375-390.

Cornett, M.M., A.J. Marcus, A. Saunders and H. Tehranian. 2006. Earnings Management Corporate Governance and True Financial Performance. *Working Papers/.www.SSRN.com*:1-28.

Chtourou S. M., J. Bedard, and L. Courteau, 2001. Corporate Governance and Earning Management. *Working paper Universite Laval*, Quebec City, Canada.

ISSN 2582-2292

Vol. 7, No. 05 Sep-Oct; 2025 Page. No. 421-436

Chung., R., M. Firth and J.B. Kim, 2002. Institutional Monitoring and Opportunistic Earnings Management, *Journal of Corporate Finance* 8: 29-48.

Dalton, D.R., C.M. Daily, J.L. Johson, and A.E. Ellstrand. 1999. Number of Directors and Financial Performance: A Meta Analysis. *Academy of Management Journal* 42: 674-686.

Eisenhard, K.M. 1989, Agency Theory: An Assessment and Review, *Academic of Management Review*14 (1):15-74.

Evans, T.G. 2003. *Accounting Theory*: *Contemporary Accounting Issues. Australia*: Thomson, South Western 3rd Edition.

Fama, E.F., and M.C. Jensen.1983. Separation of Ownership and Control, *Journal of law and Economics*26 (2):301-325.

Gideon S.B. 2005. Kualitas Laba: Studi Pengaruh Mekanisme Corporate Governance dan Dampak Manajemen Laba dengan Menggunakan Analisa Jalur. *Makalah. Simposium Nasional Akuntansi IX.*

Healy, P.M., and J.M. Wahlen. 1999. A Review of the Earnings Management Literature and Its Implications for Standard Setting, *Accounting Horizons* 13: 365-383.

Jensen, M.C. and W.H. Meckling. 1976. Theory of the Firm: Managerial Behaviour, Agency Cost and Ownership Structure, *Journal of Financial Economics* 3 (4):305-360.

Jensen, M.C. dan K.J. Murphy. 1990. Performance Pay and Top-Management Incentives. *Journal of Political Economy* 98 (2): 225-264.

Jensen, M.C. 1993. The Modern Industrial Revolution, Exit, and the Failure of Internal Control Systems. *the Journal of Finance* 48(3): 831-880.

Jo, H. and Y. T. Kim, 2007. Disclosure Frequency and Earnings Management. *Journal of Financial Economics* 84: 561-590.

Kasznik, Ron. 1996. On The Association Between Voluntary Disclosure and Earnings Management. *Working Papers*. USA: 1-45.

Kwag, S.W., and K. Small. 2007. The Impact of Regulation Fair Disclosure on Earnings Management and Analyst Forecast Bias, *Journal of Economics and Finance* 31 (1): 87-98.

Lang, M. and R. Lundholm. 1992. A Cross-Sectional Analysis of the Theory of Corporate Disclosure Due To Adverse Selection, *Working Paper*, Stanford University.

Lang, M. and R. Lundholm, 1993. Cross-sectional Determinants of Analysis Ratings of Corporate Disclosures, *Journal of Accounting Research* 31: 246-271.

Lang, M. and Mc Nichols, M.F. 1997. Institutional Trading, Corporate Earnings and Returns. *Working Paper*, SSRN-University of North Caroline and Stanford University.

Leland, H., and D. Pyle. 1977. Information Asymmetries, Financial Structure, and Financial Intermediation, *Journal of Finance*, 32: 371-387.

Lobo, G.J. and J. Zho. 2001. Disclosure Quality and Earning Management, Asia-Pacific. *Journal of Accounting and Economics* 8 (1): 1-20.

Morck, R., A. Shleifer and R.W. Vishny, 1989. Alternative Mechanism for Corporate Control. *American Economics Review*, 79: 842-852.

Murphy, K.J. 1985. Corporate Performance and Managerial Remuneration: An Empirical Analysis. *Journal of Accouning and Economics* 7: 11- 42 .

Mustapha, M. and A.C. Ahmad, 2011. Agency Theory and Managerial Ownership: Evidence from Malaysia. *Managerial Auditing Journal* 26 (5): 419-436.

Peasnell, KV., P.F. Pope, and S.Young. 2005. Board Monitoring and Earnings Management: Do Outside Directors Influence Abnormal Accruals. *Journal of Business Finance and Accounting* 32 (7&8): 1311-1346.

Petersen, C. and T. Plenborg. 2006. Voluntary Disclosure and Information Asymmetry in Denmark. *Journal of International Accounting, Auditing and Taxation* 15: 127-149.

Scott, W.R. 2009. *Financial Accounting Theory*. Fifth edition, University of Waterloo, Queen's University.

Shaw, K.W. 2003. Corporate Disclosure Quality, Earnings Smoothing, and Earnings Timeliness. *Journal of Business Research* 56: 1043-1050.

Shleifer, A, and R.W. Vishny. 1997. A Survey of Corporate Governance. *Journal of Finance* 52 (2): 737-783.

Siagian., F.T and E. Tresnaningsih, The impact of independent directors and independent audit committees on earnings quality reported by Indonesian firms. *Asian Review of Accounting* Vol. 19 (3): 192 - 207

Smith, C.W. Jr. dan R.L. Watts. 1992. The Investment Opportunity Set and Corporate Financing, Dividend, and Compensation Policies. *Journal of Financia1 Economics* 32: 263-292.

Watts, R.L. and J.L. Zimmerman. 1986. *Positive Accounting Theory*. USA: Prentice-Hall

Watts, R.L. and J.L.Zimmerman. 1990. Positive Accounting Theory; A Ten-Year Perspective, *Accounting Review* 65 (1): 131-156.

Welker, M. 1994. Disclosure Policy, Information Asymmetry, and Liquidity in Equity Markets, University of Saskatchewan, *Working Paper*.

Wolk H.I., J.L. Dodd and M.Tearney. 2004. *Accounting Theory*: Conseptual Issues in a Political and Economic Environement, Sixth Edition. South Western,USA.

ISSN 2582-2292

Vol. 7, No. 05 Sep-Oct; 2025 Page. No. 421-436

Yermack, D. 1996. Higher Market Valuation of Companies with Small Board of Directors. *Journal of Financial Economics* 40. 185-211.