

## The Influence of Company Size on Profit Information with Profit Management and Earnings Opacity as Intervening Variables

Kurniasih Dwi Astuti<sup>1\*</sup> Windu Mulyasari<sup>2</sup> Fadilatun Nisa

<sup>1\*,2,3</sup> University of Sultan Ageng Tirtayasa, Indonesia

Corresponding Author: [nien\\_rz@untirta.ac.id](mailto:nien_rz@untirta.ac.id)<sup>1\*</sup>

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**Abstract:**

*The study aims to know the influence size of the company from informative profit to informative profit with management profit and earnings opacity to the intervening variable. Size company be measured with the natural logarithm of total assets. Informative profit proxied with earnings response coefficient. Management profit proxied with discretionary accruals. Meanwhile, earnings opacity is proxied with income smoothing. Population in the study i.e. company manufacturers listed on the Indonesia Stock Exchange for the 2016-2020 period. The Retrieval technique sample used a purposive sampling technique where 42 companies were selected with a total sample of 210 research data. Data analysis techniques using multiple linear regression with SPSS software version 25 and analysis track use Sobel test online. Research results show that the size company, in a manner, direct have an influence positive to informative profit. However, management profit and earnings opacity have an influence negative to informative profit. Management profit and earnings opacity does not have a role as an intermediate intervening variable influencing the size company to informative gain.*

## Introduction

Study this aim for test in a manner empirical influence size company to informative profit (earning informativeness) with management profit and earning opacity as intervening variable. Along with development, business investment in the Indonesian capital market is increasing increase with the amount continuing issuers increasing every year. This make investors need more many information-related performance company to maximize their investment. Informative profit is always an aspect waiting for the rulers interests in need of information related profit . Widiatmoko and Indarti (2018) said that informative profit is element important for investors in the capital market used as tool analysis for taking decision investation because it basically serve information , provide a description good on condition company in the past, the moment this , and the future To use continuity life company.

Information profit is Thing important where for investors' profit accountancy as evaluation presented company with price stock. The phenomenon of ups and downs price share will impact on lack investor interest for invest . Phenomena that occur in the industry experienced a manufacturing downturn During in 2016-2020 as with PT Gudang Garam Tbk at the beginning 2019 to 2020 prices share has slumped 36.50% and 43.40% respectively since beginning year, price share Lowest in 2016 PT Gudang Garam Tbk acquired in trading session I price GGRM shares fell 17.81% to the level of IDR 56,550 / share unit with total transactions of IDR 511.88 billion at that level is price lowest GGRM since 26 January 2016 ( Cnbc Indonesia, 2019).

Factors that can influence informative profit one of them that is the size company . Size company Becomes reject measuring in show big its small something company . More company big tend give information many as well as complete than more company small. The more big company the more many information is available public about company because the company big does not have quite enough answer reporting (reporting responsibility) is high and company big more often appear in the news than company small.

There are several factors that have conducted a study before, however still many different results because factors limitations research. Study Mashayekhi & Aghel, (2016), Yevilia & Mukhlisin , (2020) concluded that size companies have an influence on positive to informative profit companies. At the same time, the study Widiatmoko & Indarti (2018) said that the size company negatively influences informative profit.

Some studies have no results consistent Among size companies to informative profit. The inconsistent results study could indicate that other influencing variables are connected. Informative profit Becomes attention main for investors as well as potential investors, p this shows the importance role of profit so that usually, party management makes an effort to beautify report finance by manipulating published earnings to be seen as good, like To make management profit with effort manager company in influence information profit in report finance. Besides management profit, managers in engineering report finance that is with the obscure profit or called with Earning Opacity ( blur profit ).

Various exposure on like exists phenomenon cases and some research gaps with no results consistent make the study this interested for researched . Study focused on the

company manufacture as a population because company manufacturing is industry the largest listed on the Indonesia Stock Exchange so it could reflect capital market reaction overall ( Yevilia & Mukhlasin , 2020). Besides that is, the research adds intervening variables ie management profit and earning opacity. Reason use variable the because profit hold role important in content information published earnings as well as Becomes attention main for investors as well potential investors, so management will To do practice in reporting finances to be seen good and interesting with To do technique management profit and earning opacity in order could increase market reaction to announcement profit .

### **Agency theory**

Theory agency (Agency Theory) is underlying theory application business so far this . According to Jensen and Meckling (1976), management ( agent ) is contracted party owner (principal), cause they selected so that party management Required responsible answer on the job they do do to holder stock . If the second party it ( agent and principal) have the same destination ie maximize profit , then agent the will Act with various method in accordance with principals' interests . Destination the resulted in happening problem agent . Problem agency arise consequence from conflict interest Among agents and principals. Jensen and Meckling (1976) explain that in framework align interests Between agent and principal then will occur cost agency (Agency costs) carried out for resolve or reduce problem agency. For reduce cost agency , then need conducted tool control that can reduce risk happening conflict interests. Agent as party manager will attach importance to interest personal than interest company. So that Thing will result happening asymmetric information which is where management has more knowing information circumstances company than principals. Arising asymmetric information could open opportunities for the agent for attaching importance to interests itself and generates behaviour opportunistic so that possible happening action practice manipulation like management profit and earning opacity.

### **Company Size**

Size companies give an identity how big a company is, fine in the amount of owned assets nor the ability company To do activity operational. More company big tend to give more information many and complete, compared to more companies small. Companies with large sizes also tend to have great asset where affect on ability company to produce a profit. This proves that the size of companies determine the level of investor confidence in investing ( Yevilia & Mukhlasin , 2020).

### **Management Profit**

The concept of earning management according to (Jansen & Markling , 1976) is management profit occur as consequence from asymmetric information Among agent and principal where the manager gives signal condition company to the owner but no convey information in accordance condition actually. According to Omush (2019) management profit is action from managers who add and subtract reported profit from the responsibility unit

to answer those who don't. There is a relationship with increase or decline profitability over the company period long. With thereby management, profit is effort management in get profit and maximize profit personal of course still in limitation principle applicable accounting.

### **Earning Opacity**

Earnings opacity reflects size how at least information contained in earnings company about performance real economy so that difficult for observed. Earning opacity or blurred profit is action practice modify resulting profit information profit Becomes run away . Bhattacharya et al. (2003) separately special using earning aggressiveness, earnings smoothing, and loss avoidance to measure the level of earning opacity on a company.

### **Size and Informativeness Profit**

Based on agency theory states that size views a company from a big to a small company, whereas big company costs more agency big than a small company (Jensen and Meckling, 1976). it has that meaning company big have held broad interests so that whatever policies made by company big have a big impact too interest public than company small. Connection Among-size companies with informative profit based on the more scattered information large about activity company big, the easy for the used market to interpret the information contained within in report finance ( Mashayekhi & Anghel, 2016). So that concluded that the size company have influenced positive significance on informative proxied profit with earnings response coefficient.

H1a: Size company take to effect positively to Informative

### **Management Profit and Informative Profit**

Based on agency theory states that destination he did action management profit one of them that is inform related investors that company have performance good finances so that could attract deep investors taking decision or invest . Investors consider that action management profit is action positive that can explain information profit (Noto, 2019). So that could concluded that management profit have influence positive to informative profit . This result in line with Noto (2019), Mayuridz (2016) who stated that management profit has an influence on positive to informative profit.

H1b: Management profit take to effect positively to Informative Profit

### **Earning Opacity and Informativeness Profit**

Based on the agency theory of opportunistic motivation, management tend To do action in Thing manipulate profit to be seen well; earnings opacity or action blur profit done so you can increase current market response announcement profit. Earnings opacity can be measured with reflecting income smoothing that average alignment profit will be seen that performance finance ok. Income smoothing can cause the information contained within price share Becomes more informative on the industry manufacturing (Paramita, 2017). So that could conclude earnings have opacity influence positive to informative profit.

In line with the study related to proxied earning opacity with income smoothing against informative profit, Paramita (2017), and Herawati (2020) states that Earning opacity has an effect positive to informative profit.

H1c: Earning Opacity matters positively to informative profit

### **Size and informativeness management - mediated Profit**

Agency theory explains the connection contract between the principal and agent; from connection, the will raises asymmetric information between the principal and agent that also causes cost agency; role size company could push cost agency. this means the more big company, then the more big asymmetric information and conflict agency encountered company will bigger. So the company tends to do action management profit because the company big is under pressure to fulfil the expectation of analyst finance. A study previously conducted by Ali et al., (2015) and Nallareson et al., (2018) showed that the size company seen from big its small company could reflect action management profit.

Basically, man have a caring attitude self alone, so which raises the trend of party manager manipulation of performance reported company To use interests ( Mayuridz, 2016). Based on manager agency theory, have the motivation for getting profit the maximum you can affect top market response published earnings. So the manager company tend To make action management profit for investors as well as interested potential investors to profit company. A study previously conducted by Noto (2019) and Mayuridzh ( 2016) said that management profit has an influence on positive to informative profit.

Explanation on has explained how connection Among size company , management profit and informativeness profit each other related . this show that there is possibility that connection between size corporate and informative profit is not direct but management - brokered relationships profit . Based on the explanation the so formulated hypothesis as follows:

H2: Firm Size and Informativeness Profit mediated by Management Profit

### **Size and informativeness earnings mediated by Earning Opacity**

Based on the size agency theory company could consider the agency costs incurred by the manager. This is because the more big company, the more conflict agency encounters. So that there is a possibility To do earnings opacity action to Fulfill the expectations of needy parties, Study previously conducted by Obeidat (2021) measures companies have positively influenced proxied earnings opacity measures with income smoothing.

Based on agency theory, opportunistic motivation drives behaviour management to serve report profit smoothly with destination for guard stability report profit from time to time with hope performance company seen as sustainable. This is because income smoothing causes the information contained within price share Becomes more informative (Paramita, 2017). So that earnings opacity action is performed To use interesting investor responses and current potential investors' announcement profit. A previous study by paramita (2017) and

Herawati (2020) stated that earnings opacity is reflected in income smoothing and influences positively informative gain.

Explanation of has explained connection Among size company, management profit and earnings opacity are mutually exclusive related. This shows that there is the possibility that the connection size between corporate and informative profit is no direct connection but a relationship mediated by earnings opacity. Based on the explanation, the so-formulated hypothesis is as follows:

H3: Firm Size and Informativeness Profit mediated by Earning Opacity

**Research Method**

Study this using the quantitative method. Data used in the study is secondary data from report finance company manufacturers listed on the Indonesia Stock Exchange for the 2016-2020 period. Study this using the SPSS Version 25 program. Then to see results, mediation uses analysis pathways and online Sobel tests. Grand total population company manufacture totalled 195 companies, with purposive sampling method obtained 42 companies in criteria testing. Using five periods could see consistent influence between each variable and more knowing conditions real in time close. Variable dependent in the study, i.e. informative measured profit with the previous earnings response coefficient follows Widiatmoko & Indarti (2018).

However, in a study, the researcher changed the previous time interval ± three days to ±5 days because, according to the time interval, the researchers fit, it no too short nor Length. Then, the size company Becomes Variable measured independent with the natural logarithm of the previous total assets follows Mashayekhi & Anghel (2016). Internal intervening variables study this, i.e. management profit and earnings opacity, where management profit is measured with modified jones while earnings opacity is proxied with earnings smoothing. Regression models this use analysis regression double. Following This is the developed regression model in the study:

$$ERC = \alpha + \beta1 SIZE_{i,t} + \beta2 EM + \beta3 EO + e.....1$$

Then for test hypothesis mediation so added model equations regression as following:

$$EM = \alpha + \beta1 SIZE + e.....2$$

$$EO = \alpha + \beta1 SIZE + e.....3$$

Description :

- ERC : Earnings Response Coefficient
- α : Constant
- β : Coefficient Regression
- SIZE : size company
- EM : Management profit
- EO : Earnings opacity

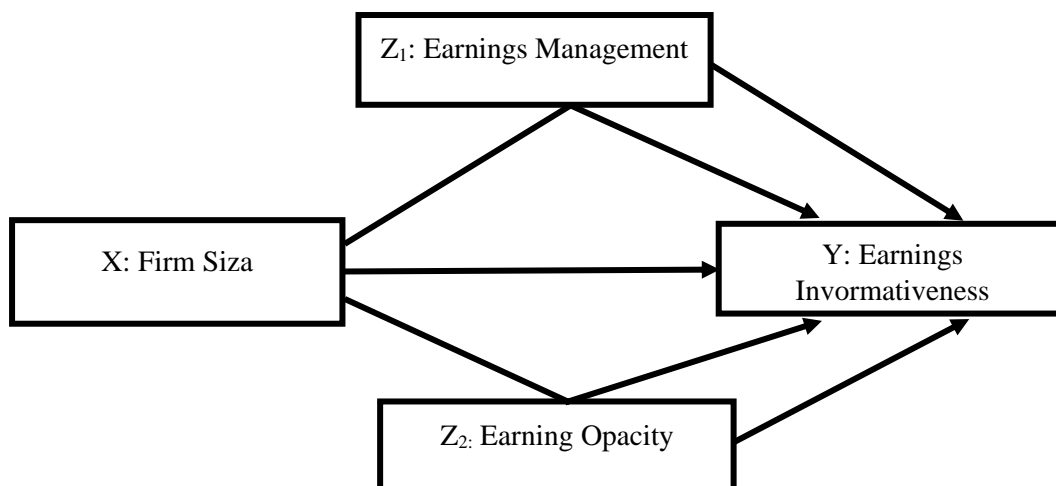


Figure 1. Conceptual Framework  
 Source : By Researcher , 2022

**Result and Discussion**

Regression models could formulated for see influence Among management profit to informative profit , as well as earnings opacity to informative profit . Data processing is done as much once is appropriate with models with using SPSS Version 25. Results of analysis regression could served as following :

Table 1. Model Feasibility Test and Regression Test Results

Model: $ERC = \alpha + \beta_1 SIZE + \beta_2 EM + \beta_3 EO + e$				
variables		B	Q	Sig
Constant	4,997			
SIZE		0.009	2,639	0.009 *
EM		-0.013	-2,061	0.041 *
EO		- 0.005	-5,264	0.000 *
Adj R-Square	0.178			
F-Sig	0.000 *			
F-(statistics)	12,646			

\* rate significance 0.050

Source : Data processed researcher , 2022

Table 3. Sobel Test Results

Variable	Sobel Test Value
Management Profit (Z1)	-0.1702041
Earnings Opacity (Z2)	0.12927345

Source : Data processed researcher , 2022

Based on the table on 1 the equation first seen, that value and t count could explain as follows: Significance value F test results of 0.000 ( less than 5% or 0.05). So that could be said

that the research model already fits. Then Statistical test results - T can be explained as following :

**H1a: Size company take effect positive to informative profit**

Based on Table 4.8 is visible that the level size company take effect positively significant to informative profit . Based on table 4.8, coefficient B1 0.009 with a level significance of 0.009 (above level significance 0.05). t- count value of 2.639 > 1.97509 t- table. this means **Hypothesis 1 (H1a) Accepted** .

**H1b: Management profit take to effect positive to informative profit**

Based on Table 4.8 is visible that management profit take effect negative significant to informative profit. In table 4.8, the coefficient B2 is -0.013 with a level significance of 0.041 ( above level significance of 0.05). T- count value of -2.061 <1.97509 t table. this means **Hypothesis 1 (H1b) Rejected** .

**H1c: Earning opacity matters positive to informative profit**

In table 4.8, it can be seen that earnings opacity has an effect negative on informative profit . Based on table 4.8, the coefficient of B3 is 0.005 with a level significance of 0.000 ( above level significance 0.05). T- count value of -5.264 <1.97509 T- table. this means **Hypothesis 1 (H1c) Rejected** .

**Test results Mediation**

Testing intervening variables used the method analysis path (Phat Analysis) than for seeing the significance or no tested with the Sobel test.

Table 2. Path Analysis

Variable	Management Profit	Earnings Opacity	Informative Profit
size	0.854	0.838	-
Management Profit	-	-	0.041
Earnings Oppacity	-	-	0.000
std. Line 1 error	0.041	1,361	-
std. Line 2 error	0.006	0.001	-

\* rate significance 0.050

Source : Data processed researcher , 2022

Based on results analysis line and online sobel test then could concluded as following :

**H2 = Management profit mediates connection Among size corporate and informative profit**

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Based on the results regression path X to Z is known that size company no take affect to management profit. On the path Z to Y is known that management profit to informative profit takes effect negative significant. Not proved influence of X to Z then management profit as variable mediation no supported. Sobel test results show results of -0.17020410 <1.96. this show meaningful value variable management profit no could mediate connection size company to informative profit. So that could concluded The H2 hypothesis is rejected .



**H3 = Earnings opacity mediates the connection Between size corporate and informative profit.**

hypothesis study this suspect size company to informative profit with earnings opacity as variable mediation. Based on results, regression path X to Z is known that size company no take effect on earnings opacity. On the path Z to Y is known that management profit to informative profit take effect negatively significant . Not proved the effect of X to Z then earnings opacity as variable mediation no supported . Sobel test results show results of  $0.12927345 < 1.96$ . this shows meaningful value the earnings opacity variable could not mediate connection size company to informative profit . So that could conclude **Hypothesis H3 is rejected.**

**Influence Company Size Against Informative Profit**

Destination study is for knowing if there is influence Among size company to informative profit. Agency theory shows that company big tend to get more many attention and seen as content information for taking decision. It could occur as investors assume that large total assets is the place investigation more safe compared with small total assets because the company with large total assets tend to stable during times of crisis ( Mashayekhi & Aghel , 2016). With thus , the size of big company will follow with enhancement informative profit.

Size company in the study this proven to take effect positive to informative profit. Research results Become proof that size company could make one information that can be used by investors as well candidates for evaluating profit company in taking decision . This occurs because the available resource information will increase informative profit over a period long. Research results in this, in line with agency theory, explains that the more big size company, the more good information to profit the company.

Research results this in line with research conducted by Mashayekhi & Anghel (2016), Yevilia & Mukhlisin ( 2020), which state that the size company take effect on positive to informative profit. However, the results study this not in line with Widiatmoko & Indarti (2018) stated that the size company have an influence negative to informative profit.

**Influence Management Profit To Informative Profit**

Destination study this to know is there is an influence Among management profit to informative profit . Theory Agency explained that management profit could increase informative profit moment profit published. This result explain the more tall management profit so the more low informativeness profit company .

Test results this find that management profit have an influence negative to informative profit. Existence management profit will reduce quality profit and earn reduce current investor confidence profit reported (Al Saedi , 2018). this indicates that big small practice management profit made an impact negative to stock market reaction meaningful company that investors as well potential investors in take decision or invest see and consider related condition outside outstanding companies and issues . Study this no succeed prove theory agency as

underlying theory study this. Theory says that action management profit will increase price share and increase current market response profit published . So that theory the conclude that management profit has a influence positive to informative profit.

Research results this in line with research by Al Rush (2019), Al Saedi (2018) which say that management profit take an effect negative to informative profit. However results from study this no in line with Noto (2019), Mayuridz (2016), who stated that management profit have an influence positive to informative profit.

### **The Effect of Earnings Opacity on Informative Profit**

Destination study this for knowing if there is an influence between earning opacity against informative. Based on agency theory of earnings opacity or action blur profit has done so you can increase current market response announcement profit .

Research results from this explain that earnings opacity negatively affects informative profit. Proxyized Earnings opacity with earnings smoothing means when companies that carry out income smoothing then profit year walk will be smooth as well make profit no describe profit real economy. Borisov (2017) said a company that does alignment profit will lead to obscurity profit, reducing trust in public moment announcement profit . this means the earnings opacity action does not could jack up upmarket reaction; he announced profit will but will lower it. this indicates that investors as well as potential investors in take decision or invest will look for information as much as possible related to performance company, state economy, inflation, interest rates flowers and so on. Study this no prove agency theory as a base in the study. The theory this say that managers behave opportunistically with do earnings opacity in order to be optimizing score shares offered in the capital market which could interesting investor interest for buy provided shares . So that theory the conclude that earnings opacity has an effect positive to informative profit .

Study this in line with Borisov (2017), Istifarda (2015) who said that earnings opacity has an effect negative to informative profit . However, study this no in line with Paramita (2017), Herawati (2020), who said that earnings opacity has influenced positive to informative profit.

### **Influence Company Size Against Informative Profit Through Management Profit**

Destination study this to know influence size company to informative profit through management profit. guess exists role management profit as variable mediation based on research gaps connection direct Among size corporate and informative profit, as well management proved profit influenced size company and informative influence yield on research before.

Studies prove that management profit take effect negative informative profit, which means the company that does action management profit will respond negatively by the side outside related published earnings ( Al Omush , 2019). Besides it, no find exists a connection between direct Among size company with management profit. This means there is supervision strict from the government, analysts and investors who are key for no To making management profit where managers feel afraid if action is known so that will impact on the

destruction of credibility company ( Ghofir & Yusuf 2018). So that guess variable management profit as mediation Among connection size corporate and informative profit no proven.

If seen from a phenomenon that occurs, then good companies, big nor small no, will do management profit because there is supervision strict from analysts and finance, so the manager company will feel afraid To make action management profit. Besides that, when a company Makes action management profit at the time, he announces the profit, so Thing will respond to negative intake decision investigation because the rulers' interest will always weigh the profit company before taking a decision.

### **Influence Company Size Against Informative Profit Through Earnings Opacity**

Destination study for knowing influence size company to informative profit through earnings opacity. Guess exists the role of earnings opacity as variable mediation based on research connection direct Between size company to informative profit, as well as proven earnings opacity influenced size company and influenced informative profit on research before.

Studies prove that Earnings opacity has a negative effect on informative profit. This means investors, as well as potential investors, tend, could reflect evaluation profit that leads to obscurity Borisov's earnings (2017). Study neither is this find exists connection direct Among size company and earnings opacity. Research results this show that the size viewed company good big, or small no reflect earnings opacity action , where moment manager company To do earnings opacity action with Where is the income smoothing proxy? Profit the difficult for be read because it does not describe the real situation so that will raises suspicion from analysts, investors and governments about profit ( Ekadjaja, 2020). So that guess earnings opacity variable as mediation Among size corporate and informative profit no proven.

If seen from a phenomenon that occurs, size viewed company from the big and small companies no will To do action manipulation the resulting profit Becomes blurry because Thing the will response from interested parties so that manager will feel afraid for To do earnings opacity action. Besides that, containing profit elements of earnings opacity will be difficult to read by investors as well potential investors, so they will respond to negative moment announcement profit in making decision investment.

### **Conclusion**

Based on the discussion results research, results testing variable size company take to effect positively to informative profit so that results this show that hypothesis first (H1a) in the study this accepted. this show that the more big size company will increase informative profit company. Test results influence management profit to informative profit take effect significant however direction negative so that results this show that hypothesis first (H1b) in a study this rejected, p this could show that the more big management profit so will lower informative profit company moment information profit published. The following results test the effect of earnings opacity effect significantly; however, the direction is negative, so the

results this show that hypothesis first (H1c) in the study this rejected. Those results explain that the earnings opacity action does not could jack up market response will be but will lower it.

Based on the processing of the data obtained, results testing influence variable size company to informative profit with management profit and earnings opacity as mediation no could be proven. Management profit and earnings opacity are not could Become variable mediation through results testing requirements mediation and the Sobel test conducted . So, got concluded that hypotheses H2 and H3 in a study this rejected.

There are several limitations to research owned by researchers in To do research. First, there are outlier data that do not reflect the data that has been analyzed . Second, on research, this only use calculated income smoothing proxies with index Eckel in reflect companies that do earnings opacity, so only see earnings opacity of one dimension. Third, research this no could prove agency theory as underlying theory study this because results show direction negative and no take effect Among management profit and earnings opacity to informative profit , then Among management profit and earnings opacity to size company.

Based on the limitations research that has been delivered, there are possible improvements conducted for future research. First , Research in Century future could develop a study this with add Another dimension of earnings opacity is capable earning aggressiveness give influence more good to inform profit than income smoothing because earnings aggressiveness is action that can postpone confession measured loss and income with aggregate totals accruals. So that the total ( aggregate ) total accruals no could catch and also potentially wrong determine income for a growth period long. Meanwhile, income smoothing is measured with an index classified Eckel with a dummy variable to determine the status of companies that carry out income smoothing so that Thing the could potentially for known to the stakeholder's interest in respond profit. Second, it can replace theory from agency to signalling theory, so the results study more in line with the variables investigated. Where signalling theory states that action management earnings and earnings opacity measures can lower informative profit. Third, it is recommended to choose companies in other sectors listed on the Indonesia Stock Exchange as well as add a period of time observation to get more results representative. Fourth, more selective in selecting and analyzing data to reduce the risk of the occurrence of outlier data that affects the contribution results of research.

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