



# The Effect of Earnings Aggressiveness and Income Smoothing on Firm Value with Good Corporate Governance as a Moderating Variable in Pharmaceutical Companies on The Indonesia Stock Exchange

David Yanto Daniel Mahulae

Sisingamangaraja XII University

Email : mahulaedavid3@gmail.com

## ARTICLE INFO

Article history:  
Received: 10/06/2021  
Revised: 20/06/2021  
Accepted: 10/07/2021

### Keywords:

Earnings Management (Earnings Aggressiveness), Income Smoothing, Firm Value and Good Corporate Governance.

## ABSTRACT

Earnings Aggressiveness and Income Smoothing on the Value of Pharmaceutical Companies on the Indonesia Stock Exchange (2) analyzes whether Good Corporate Governance can be a moderating variable of the effect of Earnings Aggressiveness and Income Smoothing on the Value of Pharmaceutical Companies on the Indonesia Stock Exchange. This is done to prove that the existence of a company in the Capital Market in the eyes of investors does not only stop at focusing on achieving high profits as a benchmark for the financial performance of a company's operational activities, but also must be able to provide welfare for shareholders/principals as owners of capital, This indicator is one of the assessments of how far the progress of a company, especially for companies listed on the Indonesia Stock Exchange. This study focuses on the company's performance in generating operating profit and its relationship with the value of the company. The sampling technique used is purposive sampling method where a sample of 6 companies was obtained for the research period 2010-2015. The tests carried out in this study were the classical assumption test (normality test, multicollinearity test, heteroscedasticity test and auto correlation test), analytical method using multiple linear regression analysis with Moderate Regression Analysis model and to test the hypothesis used t test, f test, and determination test. The results of statistical tests show that partially and simultaneously Earnings Aggressiveness and Income Smoothing have a negative effect on the value of pharmaceutical companies on the Indonesia Stock Exchange, Good Corporate Governance cannot be a moderating variable of the effect of Earnings Aggressiveness and Income Smoothing on the value of pharmaceutical companies on the Indonesia Stock Exchange.

Copyright © 2021 JurnalMantik.  
All rights reserved.

## 1. Introduction

The existence of a company in the Capital Market in the eyes of investors does not only stop at focusing on achieving high profits as a measure of the financial performance of a company's operational activities, but also must be able to provide welfare for shareholders/principals as owners of capital through achieving high corporate value as well as the outcome of the company's operational activities.

Harahap (2010) defines "profit as the amount derived from the reduction of the cost of production, other costs and losses from income or operating income". With high profits, the market reaction to the company's shares will be excited, many investors will buy company shares, and will increase the company's share price, which in turn will also increase the value of the company. However, the company's profit does not always affect the value of the company.

Sartono (2008) states "maximizing firm value (or stock price) is not identical with maximizing earnings per share (EPS)", if profit is defined as profit according to accounting (which can be seen in the company's income



statement). companies that go public around the world, including companies listed on the Indonesia Stock Exchange.

Fombrun et al., (2000) stated "earnings management has a detrimental impact on the company. Consequently, if the manager performs earnings management, the manager can lose his reputation, job, and career. As for the company, the consequences are the threat of unpleasant actions from employees, misunderstandings from customers, pressure from investors, termination of relations from company colleagues, lawsuits from officials, boycotts from activists, cynical views from the public, and disclosures from the media which in turn will eventually worsen the reputation of the company. Furthermore, according to Zahra et al., (2005) "companies will lose support from stakeholders which leads to increased awareness and suspicion from shareholders and other stakeholders". Not even a few companies had to close due to their management practicing earnings management.

An American professor, James Tobin invented a method, known as "Tobin Q" to measure the value of a company. In this method, firm value is measured using equity market value (MEV), where MEV is the result of multiplying the number of shares outstanding with the closing share price at the end of the year.

## 2. Literature Review

### 2.1 Company Value

Wahyudi (2008) states that "company value, also known as enterprise value (EV) or firm value is the price that prospective buyers are willing to pay if the company is sold". Understanding the value of the company according to Husnan and Pudjiastuti (2007), "The value of the company is the price that prospective buyers are willing to pay if the company is sold, the higher the value of the company, the greater the prosperity that will be received by the owner of the company". While the understanding of company value according to Sartono (2008) "Company value is the selling value of a company as an operating business".

### 2.2 Earnings Aggressiveness

According to Altamuro et al., (2005) "Earning aggressiveness is defined as management actions that lead to a tendency to delay the recognition of losses and accelerate the recognition of profits, and subsequently have an impact on the decline in earnings quality".

Bedard and Johnstone, (2004) stated that "Earnings aggressiveness is a management action related to earnings manipulation". According to Chan et al., (2001) "Earnings manipulation can be done by increasing the value of accrual components (such as inventory) and at the same time lowering costs, so that the income statement is higher than the actual profit".

### 2.3 Income Smoothing

According to Belkaoui (2009) "income smoothing is the reduction of profit fluctuations from year to year by moving income from high-income years to less-favorable periods". Fudenberg and Tirole in Budileksamana and Andriani's research argue that income smoothing is a process of manipulating the time of earnings or earnings reports so that reported earnings look stable.

### 2.4 Good Corporate Governance

OECD (2007) defines that "Corporate Governance is a set of relationships between company management, directors, commissioners, shareholders and other stakeholders".

According to Suprayitno (2004) "Corporate governance as a process and structure applied in running a company, with the main objective of increasing shareholder value in the long term, while taking into account the interests of other stakeholders".

## 3. Research Methods

The approach in this study uses an associative approach, associative research is a study that aims to determine the relationship between two or more variables in a study. The type of data used is quantitative, namely in the form of numbers (secondary data) using a ratio scale based on a formula that is used as the basis for measurement and using a statistical analysis tool, namely moderate regression analysis (MRA).



#### 4. Research Result and Discussion

##### 4.1 Classic assumption test

Classical assumption test is a requirement of multiple regression analysis. The classical assumption test includes normality test, multicollinearity, heteroscedasticity test, and autocorrelation test.

a. Normality test

According to Ghozali (2005) "the normality test aims to test whether in the regression model, the confounding or residual variables have a normal distribution".

b. Multicollinearity Test

Multicollinearity test aims to test whether the regression model found a correlation between the independent variables (independent). A good regression model should not have a correlation between the independent variables. Multicollinearity can be detected by looking at the tolerance value and variance inflation factor (VIF). The cut off value commonly used to indicate the presence of multicollinearity is the tolerance value  $1 > 0.10$  or the same as the VIF value  $1 < 10$ .

**Table 1.**  
Multicollinearity Test Value Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients		T	Sig.	Correlations			Collinearity Statistics	
	B	Std. Error	Beta				Zero-order	Partia l	Part	Toleranc e	VIF
1 (Constant)	-1571.176	2963.017			-.530	.600					
X1	-.029	.220	-.048		-.131	.897	-.205	-.023	-.023	.226	4.433
X2	1488.907	2591.387	.101		.575	.570	.141	.103	.099	.966	1.035
Moderating 1	-.240	.383	-.201		-.626	.536	-.253	-.112	-.108	.290	3.443
Moderating 2	-.402	.77.125	-.001		-.005	.996	-.012	.000	.000	.477	2.098

a. Dependent Variable: Y

Source: Data Processing Results ( 2017 )

Based on the results of SPSS data processing in table 1, it shows that the tolerance value of the variables X1 = 0.226 and X2 = 0.99 to Y , the value of X1 and X3 to Y = 0.290 moderation tolerance, X2 and X3 moderation to Y = 0.477 and the value of VIF X1 to Y = 4.433, VIF X2 to Y=1.035, VIF moderation X1 and X3 to y=3.443, Moderation X2 and X3 to Y=2.098 where the data tolerance value does not show any symptoms of multicollinearity tolerance value  $1 > 0.10$  or VIF value  $1 < 10$  so that for the data X1 and X2 to Y and X3 moderation to the relationship X1 to Y and to the relationship X2 to Y there are no symptoms of multicollinearity.

c. Heteroscedasticity Test

According to Ghozali (2005) "heteroscedasticity test aims to test whether in the regression model there is an inequality of variance from one observation residual to another observation". A good regression model is that there is no heteroscedasticity. The way to detect the presence or absence of heteroscedasticity is to look at the graph plot between the predicted values of the dependent variable.

It can be concluded that there is no heteroscedasticity in the regression model so that the regression model is feasible to use to see the value of companies listed on the IDX based on the Independent Earnings Aggressiveness and Income Smoothing variables with Good Corporate Governance as the moderating variable.



d. Autocorrelation Test

The autocorrelation test aims to test whether in the linear regression model there is a correlation between the confounding error in period t and the confounding error in period t-1 (previous). The way that can be done to detect the presence or absence of autocorrelation is to perform the Durbin Watson test.

**Table 2**  
Autocorrelation Test Value

Model Summary <sup>b</sup>										
Change Statistics										
Model	R	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	Sig. Change	df1	df2	F Durbin-Watson	
1	.273 <sup>a</sup>	.075	1.06946839	.075	.625		4	31	.648	1.418

a. Predictors: (Constant), Moderating2, Moderating1, X2, X1

b. Dependent Variable: Y

Based on the results of the autocorrelation test in Table 2, it shows that the Durbin-Watson value of 1.488 is at DL 1.3536  $d \leq Du$  1.5872 (from the Durbin-Watson table t-1=36 and t=3) so it can be concluded that the model regression is free from autocorrelation problems.

**4.2 Linear Regression Analysis**

**a. Multiple Linear Regression Analysis**

Regression is a method to establish a causal relationship between one variable and other variables.

**Table 3.**  
Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients		Collinearity Statistics		
	B	Std. Error	Beta	T	Sig.	Tolerance	VIF
1 (Constant)	-1872.422	2873.478		-.652	.519		
X1	-.116	.103	-.192	-1.128	.267	.987	1.013
X2	1754.980	2509.696	.119	-.699	.489	.987	1.013

a. Dependent Variable: Y

Based on table 3 above, the multiple linear regression equation is as follows:

$$Y = -1,872.422 - 0.116X1 + 1.754.98X2$$

If the value of X1 increases by 1 then the value of Y will decrease by 0.116 and if X2 increases by 1 then Y will increase by 1,754.98 and if X1 and X2 = 0 then the value of Y will decrease by 1,872.422

**b. Moderate Regression Analysis (MRA)**

Statistical analysis to be carried out is to use moderate regression analysis (MRA), moderate regression analysis in particular by conducting an interaction test which in the regression equation contains an element of interaction between variables, namely there is a multiplication of two or more independent variables, the reason for choosing this test is because independent variables are interrelated variables and are not to be compared between one variable and another.



**Table 4.**  
Multiple Linear Regression Analysis Value

Model	Unstandardized Coefficients		Standardized Coefficients		Correlations			Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Zero-order	Partial Part	Tolerance	VIF
1 (Constant)	-1571.176	2963.017		-.530	.600				
X1	-.029	.220	-.048	-.131	.897	-.205	-.023	.226	4.433
X2	1488.907	2591.387	.101	.575	.570	.141	.103	.099	1.035
Moderating1	-.240	.383	-.201	-.626	.536	-.253	-.112	.290	3.443
Moderating2	-.402	77.125	-.001	-.005	.996	-.012	.000	.477	2.098

a. Dependent Variable: Y

Based on the table above, the Moderating Regression Analysis (MRA) equation is:

$$Y = -1.576 - 0.029X_1 + 1.488,907X_2 - 0.24X_1.X_3 - 0.402 X_2.X_3$$

If the value of X1 increases by 1 then the Y variable will decrease by 0.029 and if X2 increases by 1 then Y will increase by 1,488,907 and if X1 which is interacted with X3 increases by 1 then Y will decrease by 0.24, if X2 which is interacted with X3 increases by 1 then Y will decrease by 0.402 and if X1 and X2 = 0 and if X1.X3 and X2.X3 = 0 then Y will decrease by 1.576

#### 4.3 Partial Significance Test (t-test)

Partially, hypothesis testing is done by t-test. According to Ghazali (2005) "the t-test statistic basically shows how far the influence of one explanatory/independent variable individually in explaining the dependent variable". This test is carried out by comparing the significance of tcount with the following conditions:

- if  $t_{count} < t_{table}$  at 0.05, then  $H_0$  is rejected and
- if  $t_{count} > t_{table}$  at 0.05, then  $H_0$  is accepted.

Where  $H_0: NP = 0$ , meaning that there is no influence between the independent variable (X) and the dependent variable (Y)

$H_0: NP \neq 0$ , meaning that there is no influence between the independent variable (X) and the dependent variable (Y)

Hypothesis 1:

Earnings Aggressiveness has a positive and significant effect on the value of pharmaceutical companies listed on the Indonesia Stock Exchange for the 2010-2015 period.

From the results of hypothesis testing, it shows that the t-count value is

-1,128 while the t-table value at the level of 0.05 and  $n = 36$  is 2.035 where  $t_{table} > t_{count}$  means  $H_a$  is rejected and  $H_0$  is accepted where  $H_0: NP = 0$ , this shows that partially shows a negative effect on Earnings Aggressiveness to the value of pharmaceutical companies listed on the Indonesia Stock Exchange for the 2010-2015 period, with an indication of the occurrence of Earnings Aggressiveness does not affect the value of the company at the 95% confidence level.

Hypothesis 2:

Income Smoothing has a positive and significant effect on the value of pharmaceutical companies listed on the Indonesia Stock Exchange for the 2010-2015 period.

From the results of hypothesis testing, it shows that the t-count value is

-0.699 while the value of t-table at the level of  $\alpha$  0.05 and  $n=36$  is 2.035 where  $t_{table} > t_{count}$  means  $H_a$  is rejected and  $H_0$  is accepted where  $H_0=NP=0$ , this shows that partially Income Smoothing has a negative effect on the value of pharmaceutical companies listed on the Indonesia Stock Exchange for the 2010-2015 period, with



an indication of the occurrence of Income Smoothing does not affect the value of the company at the 95% confidence level.

#### 4.4 Simultaneous Significance Test (F Test)

Hypothesis 3:

Earnings Aggressiveness and Income Smoothing simultaneously have a positive and significant effect on the Value of Pharmaceutical Companies listed on the Indonesia Stock Exchange for the 2010-2015 period.

From the results of hypothesis testing, it shows that the F-count value is 0.982 while the F-table value at the level of 0.05 and  $dk = 36$  and  $dk = 4-1$  is 2.9223 where  $F\text{-table} > F\text{-count}$  means  $H_a$  is rejected  $H_0$  is accepted where  $H_0 : \beta = 0$ , this shows that Simultaneously Earnings Aggressiveness and Income Smoothing have no effect on the value of pharmaceutical companies listed on the Indonesia Stock Exchange for the 2010-2015 period, with an indication that Earnings Aggressiveness and Income Smoothing do not affect the value of the company at the confidence level of 95 %.

#### 4.5 Moderating Variable Interaction Test

Hypothesis 4:

Good Corporate Governance Moderates the Relationship between Earnings Aggressiveness and Value of Pharmaceutical Companies listed on the Indonesia Stock Exchange for the 2010-2015 period.

From the results of hypothesis testing, it shows that the t-count moderating  $X1.X3$  is -0.626 while the t-table value is 2.035 where the  $t\text{-count} > t\text{-table}$  and the moderating t-count value of  $X1.X3$  is -0.005 while the t-table value is 2.035 where  $t\text{-count} > t\text{-table}$  means that  $H_a$  is rejected indicating that Good Corporate Governance cannot moderate the relationship between Earnings Aggressiveness and Income Smoothing on the Value of Pharmaceutical Companies listed on the Indonesia Stock Exchange for the 2010-2015 period.

#### 4.6 Coefficient of Determination (R<sup>2</sup>)

The value of the coefficient of determination based on the output of data processing shows the Adjusted R-Square value of 0.045 which means that the influence of the tested variables is 4.5% while 95.5% is influenced by other factors not tested in this study.

#### 4.7 Discussion

##### a. The Effect of Earnings Aggressiveness on Company Value

The results of the study indicate that the t-count value is -1.128 while the t-table value at the level of 0.05 and  $n = 36$  is 2.035 where  $t\text{-table} > t\text{-count}$  means  $H_a$  is rejected, this shows that partially there is a negative influence on Earnings Aggressiveness on the value of pharmaceutical companies listed on the Indonesia Stock Exchange for the 2010-2015 period, with indications of the occurrence of Earnings Aggressiveness affecting the decline in the value of the company at the 95% confidence level. If it is seen from the negative value of Earnings Aggressiveness data every year, the value of the company should increase because pharmaceutical companies practice accelerating profit recognition, but in reality the value of pharmaceutical companies continues to fluctuate unstable.

This means that efforts need to be made to obtain increased profits by minimizing production costs or even by expanding in order to stimulate a positive response from investors to buy shares of pharmaceutical companies in order to increase the value of the company. Then pharmaceutical companies must try to increase the value of cash by carrying out an efficiency process of liabilities to reduce interest expenses, so that later the increased value of cash in the company can be used to increase the company's production factors so that the amount of assets and the amount of company debt are comparable so that it will support the positive assessment process of investors towards Pharmaceutical company.

The results of this study are in line with the research of Pratama (2014) which proves that earnings management has a negative effect on the value of companies listed on the Indonesia Stock Exchange and this study is not inconsistent with the research of Indriani, et al (2014) in Indonesia and Hwang (2014) in Taiwan. earnings have a significant positive effect on the value of companies listed on the Stock Exchange and

High earnings management actions taken by the management will reduce the value of the company in the future. This shows that market participants/investors do not consider fundamental factors through financial statements in purchasing pharmaceutical company shares, where there is an indication that market



participants have confidence that pharmaceutical companies have investment prospects because pharmaceutical companies are a sector that produces products that produce high quality products. much needed by society.

**b. The Effect of Income Smoothing on Firm Value From the results of hypothesis testing, it shows that the t-count value is**

-0.699 while the t-table value is at the level of 0.05 and  $n = 36$  is 2.035 where  $t\text{-table} > t\text{-count}$  means  $H_a$  is rejected, this shows that partially there is a negative effect of Income Smoothing on the value of pharmaceutical companies listed on the Indonesia Stock Exchange. The period 2010-2015, with indications of the occurrence of Income Smoothing, affects the decline in company value at the 95% confidence level.

If it is seen from the data on the Income Smoothing value of pharmaceutical companies, which is quite stable every year, this is indeed one of the factors that triggers the movement of decline in the value of pharmaceutical companies.

With the income smoothing process, the profit that was supposed to be high in a certain year and a positive response for investors to buy shares will disappear, because pharmaceutical companies will never show spectacular profits due to the income smoothing effect. So, pharmaceutical companies should be able to carry out a strategy of minimizing costs in order to obtain maximum profit in an effort to attract investors, not by smoothing profits which results in a decrease in the value of the company. The value of the company will increase if the pharmaceutical company does not practice accelerating profit recognition, and vice versa, the value of the company will become unstable if the value of the company's income smoothing increases.

With the recognition of accelerated profits, pharmaceutical companies also have to pay taxes on profits that they have not actually earned, so that the income that should have increased will decrease due to the tax burden, this is one of the things that must be eliminated in an effort to increase real income and profit, so that In the future, pharmaceutical companies will be able to obtain net income that is not too burdened by tax debt.

The results of this study are in line with the research of Pratama (2014) which proves that earnings management has a negative effect on the value of companies listed on the Indonesia Stock Exchange and this study is not in line with the research of Indriani, et al (2014) in Indonesia and Hwang (2014) in Taiwan. profit has a significant positive effect on the value of companies listed on the Stock Exchange and this This means that investors who buy shares in pharmaceutical companies do not consider the indications of income smoothing in the financial statements and may when deciding to buy shares in pharmaceutical companies the orientation of investors is only on stock returns and the distribution of dividends they will receive.

**c. The Effect of Simultaneous Earnings Aggressiveness and Income Smoothing on Firm Value**

From the results of hypothesis testing, it shows that the F-count value is 0.982 while the F-table value at the level of 0.05 and  $dk = 36$  and  $dk = 4-1$  is 2.9223 where  $F\text{-table} > F\text{-count}$  means  $H_a$  is rejected, this shows that Simultaneously there is a negative effect of Earnings Aggressiveness and Income Smoothing on the value of pharmaceutical companies listed on the Indonesia Stock Exchange for the 2010-2015 period, with an indication that Earnings Aggressiveness and Income Smoothing do not affect the value of the company at the 95% confidence level.

If it is seen from the data that the Earnings Aggressiveness and Income Smoothing values of pharmaceutical companies are quite low and stable every year, then this should be one of the correction materials for pharmaceutical companies, but in fact from the data obtained the value of pharmaceutical companies fluctuates which indicates that the company management does not make improvements in terms of reducing the practice of accelerating profit recognition and increasing the company's cash flow.

In the future, it is expected that pharmaceutical companies should be able to increase the company's cash flow by reducing the interest expense on tax debt and long-term debt, then the increase in profits and income must be accompanied by good management of company assets so that there is a balanced comparison between the company's cash flow and the number of assets owned so that it can be maintained

In the future, investors' assessment of pharmaceutical company shares could be more positive which has implications for increasing the value of pharmaceutical companies.

The results of this study are not in line with the research of Indriani, et al (2014) in Indonesia and Hwang (2014) in Taiwan proving that earnings management has a significant positive effect on the value of companies listed on the Stock Exchange.

The results of this study are also not in line with the theory of Efficiency Market Hypothesis (EMH) which states that financial statements can affect the capital market. This shows how important the role of financial statements is, but in this study in the absence of a significant effect of Earnings Aggressiveness and Income Smoothing on the value of pharmaceutical companies, it shows that the stock purchase decisions made by investors in pharmaceutical companies listed on the Indonesia Stock Exchange do not consider the fundamentals. There are indications of Earnings aggressiveness and income smoothing which can later backfire for the company because the discrepancy in reporting earnings and dividends distributed is too large to affect the increase or decrease in the value of the company, meaning that market participants tend to see short-term opportunities when deciding to buy pharmaceutical company shares because the level of company value is quite high without thinking about the risks that will occur in the future if the pharmaceutical company continues to practice earnings management.

**d. Good Corporate Governance Moderates the Relationship between Earnings Aggressiveness and Income Smoothing on Firm Value**

From the results of hypothesis testing shows that the t-count moderating X1.X3 is -0.626 while the t-table value is 2.035 where the t-count > t-table and the t-count moderating X2.X3 is -0.005 while the t-table value is 2.035 where t-count > t-table means  $H_a$  is rejected indicating that Good Corporate Governance cannot moderate the relationship between Earnings Aggressiveness and Income Smoothing on the value of Pharmaceutical companies listed on the Indonesia Stock Exchange for the 2010-2015 period.

If it is seen from the disclosure data of the Good Corporate Governance index of pharmaceutical companies which is quite stable every year, then the value movement of pharmaceutical companies should increase because there is a process of improvement and openness of the management system and governance of pharmaceutical companies, but in fact the value of pharmaceutical companies from the data obtained fluctuates. which implies that Good Corporate Governance is not able to provide a positive effect for pharmaceutical companies because of the significant negative effect of Earnings Aggressiveness and Income Smoothing. This shows that Good Corporate Governance cannot moderate the effect of Earnings Aggressiveness and Income Smoothing on firm value.

This shows that the disclosure of a transparent company management system is not enough to increase the value of pharmaceutical companies, it is possible that the level of profitability and return of stock returns is a factor that investors pay more attention to in the process of buying shares of a company. So that pharmaceutical companies need to pay attention to the ratio of liquidity and profitability so that investors can be more interested in buying shares of pharmaceutical companies in order to achieve an increase in company value.

This study is not in line with research conducted by VinolaHerawaty (2008) on "The Role of Corporate Governance Practices as Moderating Variables of the Effect of Earnings Management on Firm Value" proving that the Corporate Governance variable has a significant influence on firm value with independent commissioners and institutional ownership variables. The results of this study are also not in line with research conducted by Rachmawati and Triatmoko (2007), entitled "Analysis of Factors Affecting Earnings Quality and Firm Value". The results of this study indicate that the Investment Opportunity Set (IOS) and the Corporate Governance Mechanism have an effect on earnings quality and firm value

This means that in pharmaceutical companies, the GCG disclosure process cannot be a supporting factor to eliminate indications of earnings management practices, because when there are indications of earnings management practices, it does not also affect the increase and decrease in the value of pharmaceutical companies for the 2010-2015 period. , Investors direct their focus and attention to the significant increase in profits of pharmaceutical companies without realizing that there has been fluctuation in the value of



pharmaceutical companies and the lack of disclosure of the company's operational management system that is good in accordance with the GCG index set by BAPEPAM.

Because we can see from the GCG disclosure index in pharmaceutical companies which is still very small, this makes the implementation of good operational management through GCG has no influence on investors' decisions when buying shares of pharmaceutical companies.

## 5. Conclusion

- a. Earnings Aggressiveness partially negatively affects the value of pharmaceutical companies listed on the IDX for the 2010-2015 period.
- b. Income Smoothing partially has a negative effect on the value of pharmaceutical companies listed on the IDX for the 2010-2015 period.
- c. Earning Aggressiveness and Income Smoothing simultaneously have no significant effect on the value of pharmaceutical companies listed on the IDX for the 2010-2015 period.
- d. Good Corporate Governance cannot moderate the relationship between Earnings Aggressiveness and Income Smoothing on the value of pharmaceutical companies listed on the IDX for the 2010-2015 period.

## 6. Reference

- [1] Agus, Sartono. 2008. Financial Management Theory and Applications. Edition Four. Yogyakarta: BPFE
- [2] Arikunto, Suharsimi. 2002. Research Procedure A Practical Approach. Fifth Revised Edition. Rineka Cipta Publisher, Jakarta.
- [3] Ashbaugh-Skaife, H., D. Collins, and W. Kinney. 2007. "The discovery and consequences of Internal Control Deficiencies Prior to SOX-Mandated Audits". Journal of Accounting and Economics 44 (2007) 166–192. 16 September 2012, 10:28.
- [4] Belkaoui, Ahmed Riahi, 2006. Accounting Theory, Fifth Edition, Ali Akbar Yulianto Translation, Risnawati Dermauli, Salemba Empat, Jakarta.
- [5] Bhattacharya, U; H. Daouk; and M. Welker. 2003. "The World Price of Earnings Opacity." The Accounting Review, Vol. 78, No. 3, July: 641 – 678.
- [6] Bhuiyan, Md Hamid Ullah and P.K. Biswas. 2007. "Corporate Governance and Reporting: An Empirical Study of The Listed Companies in Bangladesh", Journal of Business Studies, Vol. XXVIII, No. 1, www.ssrn.com
- [7] Boediono, Gideon. 2005. Earnings Quality: Study of the Effect of Corporate Governance Mechanisms and the Impact of Earnings Management Using Path Analysis. National Accounting Symposium (SNA) VIII Solo.
- [8] Bob Foster. 2008. "Retail Management". Alfabeta, Bandung
- [9] Buttle, Francis. 2004. Customer Relations Management. Bayu Media
- [10] Celviana, Widianingrum, Rahmawati, 2010. The Influence of Human Resources and Utilization of Information Technology on the Reliability and Timeliness of Local Government Financial Reporting with accounting internal control intervening variables, empirical study, in subokawonoseraten local government, National Symposium on Accounting XII Purwakarta.
- [11] Christiawan, Y.J. and J. Tarigan. 2007. Managerial Ownership: Debt Policy, Corporate Performance and Value. Journal of Accounting and Finance. Vol.1. may 2007. Pages:1-8.
- [12] Chtourou, et al. (2001). Corporate Governance and Earnings Management. Available on-line at www.ssrn.com.
- [13] Deegan, C. 2004. Financial Accounting Theory. McGraw Hill-Book Company, Sydney.
- [14] Erlina. 2011, Research Methodology, USU Press, Medan.
- [15] Ety M Nasser, Tobia Parulian, "The Influence of Company Internal Factors on Income Smoothing", Accounting, Auditing, and Information Research Media, Vol. 6 No.1 (2006), pp. 75-100.
- [16] Fama, E.F., and K.R. French. 1998. "Taxes, Financing Decisions, and Firm Values". The Journal of Finance; Vol. LIII. No.3, June, PP.819-843.
- [17] Ferdawati, 2009. The Effect of Real Earnings Management on Firm Value. Journal of Accounting & Management Vol 4 No.1 June 2009 ISSN 1858-3687 pp. 59-74.
- [18] Ghozali I. 2011. Application of Multivariate Analysis with IBM Program SPSS19, Edition 5. Diponegoro University Publishing Agency,



- [19] Gujarati, D.N. 2003. Basic Econometrics. Fourth Edition. International Edition: McGraw-Hill Higher Education. Singapore.
- [20] G. Suprayitno, et al. 2004. Commitment to Enforce Good Corporate Governance: Best Practices for Implementing Corporate GCG in Indonesia. Jakarta: The Institute for Corporate Governance (ICG).
- [21] Hartono, J. 2003. Portfolio Theory and Investment Analysis. Edition II: Publishing Agency, Faculty of Economics, GadjahMada University, Yogyakarta.
- [22] Hussein, Omar. 2000. Research Methodology, Applications in Marketing. PT. Main Library Gramedia
- [23] Harry. 2013. Auditing (Accounting Examination I), First Printing, Jakarta :CAPS
- [24] (Center of Academic Publishing Service).
- [25] Husnan, S., and Pudjiastuti, E. (2007). Financial Management, Fifth Edition, UPP AMP YKPN, Yogyakarta.
- [26] Ikhsan, Arfan and Ghozali, Imam, 2006, Research Methodology for Accounting and Management, PT. Madju Medan Cipta, Medan.
- [27] Indriantoro, Nur and Supomo, Bambang. 2002. Business Research Methodology for Accounting and Management. First Edition. BPFE, Yogyakarta.
- [28] IndriyoGitosudarmo. 2008. Marketing Management, Second Edition, Yogyakarta : BPFE-YOGYAKARTA.
- [29] Jones, C.P. 2004. Investments: Analysis and Management. Ninth Edition. John Wiley & Sons, Inc. California.
- [30] Kusumawati and Riyanto, 2005. "Corporate Governance and Performance: Analysis of the Effect of Compliance Reporting and Board Structure on Performance". VIII National Accounting Symposium, Solo, 15-16 September 2005.
- [31] Mulford, Charles W. and Eugene E. Comiskey. 2010. Detection of Accounting Fraud The Financial Numbers Game, Jakarta: PPM Management.
- [32] Nasution, M and Setiawan, D. 2007. Effect of Corporate Governance on Earnings Management in the Banking Industry. X National Accounting Symposium, Makassar.
- [33] Organization for Economic Cooperation and Development.(2004). OECD Principles of Corporate Governance 2004. The OECD Paris.
- [34] PabunduTika, Moh.. 2012. Organizational Culture and Corporate Performance Improvement. Jakarta: Earth Literacy.
- [35] Penman, S.H. 2003. Financial Statement Analysis and Security Valuation. Second Edition: McGraw Hill. New York.
- [36] Primary. I Putu Agus E 2014. "Information Systems and Its Implementation", Bandung: Informatics
- [37] Purwanto.(2009). Evaluation of Learning Outcomes. Surakarta: Learning Library.
- [38] R, C Kothari. 2004. Research Methodology: Methods and Techniques. New
- [39] Delhi: New Age Publisher
- [40] Ristifani, 2009, Analysis of the Implementation of the Principles of Good Corporate Governance (GCG) and Its Relation to the Performance of PT. Bank Rakyat Indonesia (Persero) Tbk. Jakarta, Hal. 2
- [41] Roychowdhury, S., 2006, Earnings management through real activities manipulation, Journal of Accounting and Economics. 42, p.335-370.
- [42] Sakai and Ashoka 2003, Black and Kim 2003. Diaryinta.wordpress. Com /2010/ 04 /22 / journal -Accounting -2/ accessed on January 15, 2013.
- [43] Sawir, A. 2005. Financial Performance Analysis and Corporate Financial Planning. Jakarta: Gramedia Pustaka Utama.
- [44] Now, Uma. 2006, Research Methods For Business, Edition 4 book 1, Translation of Yon, Kwan, Salemba Empat, Jakarta.
- [45] Scott, W. R. (2012). Financial Accounting Theory 6th edition. Toronto: Pearson Education Canada.
- [46] Setiawati, L. and A. Naim. 2000. Earnings Management. Journal of Economics and Business. May: 159-176.
- [47] Silveira, A., and Barros. 2007. Corporate Governance Quality and Firm Value in Brazil. Working papers. Available at: <http://www.papers.ssrn.com>
- [48] 2006, Research Methods For Business, Edition 4 book 2, Translation of Yon, Kwan, Salemba Empat, Jakarta.
- [49] Suharli, Michell, 2006. Accounting for Service and Trade Business, First Edition, Graha Ilmu, Yogyakarta.
- [50] Sugiyono.(2010). Quantitative & Qualitative Research Methods. RND. Bandung :Alfabeta
- [51] Sukumulja, Sukmawati. 2004. Good Corporate Governance in the Financial Sector: The Impact of Good Corporate Governance on Financial Performance. Vol.8.No.1. June 2004. Pages 1-25
- [52] SofyanSafri, Harahap. 2010. Critical Analysis of Financial Statements, Edition 1. Jakarta: Rajawali Pers.
- [53] Wahyudi, 2008, Conflict Management in Organizations, Bandung: Alfabeta
- Regulations and Laws:
- [54] Indonesian Institute of Accountants. 2011. Financial Accounting Standards. Publisher: Salemba Empat. Jakarta.
- [55] Institute for Economics and Financial Research. 2006. Indonesian Capital Market Directory. Jakarta.

