INFORMATION ASYMMETRY AND EARNING MANAGEMENT: GOOD CORPORATE GOVERNANCE AS MODERATING VARIABLE

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ABSTRACT

The reseach aims to analysis the effect of information asymmetry to earning management with good corporate governance as moderating variables. The sample is 43 manufacturing companies which listed in Bursa Efek Indonesia (BEI) and include the best 10th ranked by Corporate Governance Perception Index (CGPI) during the periods of 2004 – 2013. It selected by purposive sampling technique. Earning management is measured by short term discretionary accruals (STDA) and long term discretionary accruals (LTDA), while good corporate governance variable proxy is scored by Corporate Governance Perception Index (CGPI). Data analysis used multiple linear regressions with moderating variables. Based on the Kolmogorov Smirnov test, data has normal distribution. The test for classic assumption showed that there are no multicolinearity, no heteroscedasticity and no auto correlation. The results showed information asymmetry (t = 4,271) and good corporate governance (t = 4,408) have effect on earning management with short term discretionary accruals (STDA) model. Beside that good corporate governance (t = -4,156) mediates the effect of information asymmetry on earning management. Then, based on long term discretionary accruals (LTDA) model, the analysis showed that information asymmetry (t = -2,236) and good corporate governance (t = -2,743) have effect significantly on earning management. Finnaly, good corporate governance (t = 2,161) also mediates the effect of information asymmetry on earning management.

Keywords**:** information asymmetry, STDA. LTDA, good corporate governance.

Introduction

Agency relationship arises when the party of principal hire an agent in order to carry out the services and delegate authority to make decisions to the agent (Darwis, 2012). Information asymmetry arises because of the agency problem, where the manager has more information about the company than the shareholders. The information asymmetry and different interests between managers and shareholders allows managers to act earnings management.

According to Healy and Wahlen (1998), the earnings management is an action to deceive and defraud shareholders because the manager has more information about the company and act to maximize their self-interest (Wiyadi, et al., 2013). Therefore, it is not surprising that managers utilizing the information asymmetry to perform management actions profit.

The pattern of earnings management action was twofold: to increase the earnings numbers and patterns with the pattern of decrease earnings numbers without affecting the company's profit in the long term. Earnings management action also has a negative and positive perspective. In a negative perspective (opportunistic), the action of earnings management is intended to maximize utility and market value of the company, so the managers gain greater bonuses. Whereas in a positive perspective (efficiency) is intended to improve efficiency in investment.

A manager has the opportunity to act earnings management because he also has the flexibility in choosing the accrual-based accountin method. By using of accounting methods deliberately chosen for specific purposes eg utility maximization and the market value of the company to gain a bigger bonus. One of the researchers who have conducted research on the effects of

information asymmetry on earnings management is Rahmawati, et al (2006). Their results showed that the information asymmetry has a significantly positive effect on earnings management.

The action earnings management can be reduced through corporate governance mechanisms (Wiyadi, et al., 2013). In the corporate governance principle related to the interests of the shareholders, equal treatment of shareholders, role of all interested parties (stakeholders), transparency and clarity. Many companies, especially large scale has been paying attention to the importance of corporate governance.

According to the Forum of Corporate Governance (2011) that corporate governance is a set of processes, policies, ordinances, institutions and rules that affect the control, direction and management of a company. Corporate governance also includes the relationships between majority and minority shareholders, managers, staff, creditors, governments, and stakeholders who have a connection to the rights and responsibilities of the company or a system that does the control and direction of the company
The implementation of goods corporate governance aims to create value added for stakeholders (FCGI, 2011). The implementation of corporate governance in a company will have an impact on earnings management actions undertaken manager. If the company is able to implement good corporate governance, the company will gain more benefit such as: easy to raise capital, lower capital costs, improved business performance and economic performance, as well as a better stock price. Implementation of corporate governance will be one of the key elements to cultivate economic efficiency, and provide a synergistic relationship between the stakeholders in the company (Arief and Pramuka, 2007).

Generally, the implementation of business activity is influenced by a framework of good corporate governance. The framework established by the laws and regulations, statutes, codes of conduct, agreements made with creditors, employees, consumers, and others. According to Surya and Yustiavandana (2006), so the companies have a more secure survival in the long term, the shareholders and stakeholders require the implementation of good corporate governance (GCG).

The main characteristic of weak corporate governance is the selfish act on the part of company managers to override the interests of investors. This causes investors to lose confidence in the return on investment in the company. Nasution and Setiawan (2007) describes corporate governance is a concept put forward for improving company performance through supervision or monitoring management performance and ensure the accountability of management to the stakeholders by basing on the regulatory framework. Furthermore, they mentioned that the concept of corporate governance proposed in order to achieve a more transparent management of the company for all users of financial statements.

Corporate Governace has two concepts, which are the separation between ownership and control of the company. This separation would cause problems because of the differences of interest between shareholders with management (Jensen and Meckling, 1976). The main objective of corporate governance is to minimize cost of the company (agency costs) are derived from the separation of ownership and control (Weber, 2006). If a company applies good corporate governance, the potential of a manager in earnings management actions can be in control. Herawaty (2008) stated the agency theory provides a view that earnings management problems can be minimized by monitoring themselves through good corporate governance.

Corporate governance contains four essential elements, which are fairness, transparency, responsibility, and accountability is expected to be a means to reduce the agency conflict. With the good corporate governance is expected to the company value would be assessed properly by the investor (Susanti, 2010).

Research by Wedari (2004), Herawaty (2008) found that the practice of corporate governance has a relationship to earnings management. However Siregar & Bactiar (2004) there was no correlation between practical corporate Governace with earnings management. This study designed to follow up the results of research by Rahmawati, et al (2006) which recommends the effect of corporate governance as a moderating variable to determine whether corporate governance is able to strengthen or weaken the relationship between information asymmetry with earnings management action. This research used the earnings management proxies are short term models of discretionary accruals (STDA) and long term discretionary accruals (LTDA). These models describe the role of each accrual components more precisely for measuring earning management. These models are developed by Roychowdhury, 2006

The present study is to focus on the effect of information asymmetry to earnings management with good corporate governance as moderating variable. The study conducted in the manufacturing companies on the Jakarta Stock Exchange and included in the 10th best ranked by CGPI (Corporate governance performance index). The following sections describe the review literature and formulation hyphotesis, reseach method and the research findings and finally come up with suggestions and recommendations.

Literature review and hyphotesis

The implication of agency theory is the information asymmetry between the manager and the owner. Quality of financial information is useful for investors to reduce information asymmetry (Komalasari, 2000 in Setyaningrum and Yunitasari, 2011). Information asymmetry is a situation where the manager has access to more information on the future prospects of the company than the shareholders (owners) and other stakeholders. Information asymmetry can be anticipated by the disclosure of information more qualified. Therefore, the manager is obliged to provide signal information regarding the condition of the company to the owner. But often the information submitted does not match the actual conditions. Due to the information asymmetry allows managers to act earnings management.

According to Fischer, et al (1995) in Dwiadnyana and Jati (2014) earnings management is the behavior of the manager who made the income statement and not in accordance with the actual situation in the current period without causing changes in the long-term economic profitability. While according to Scott (2006) earnings management is an accounting policy choice by the manager for various specific purposes. It can be concluded that the actions of earnings management is done through the selection of accounting policies or by controlling the accrual transactions.

Accrual transaction is a transaction which does not affect the cash inflows or cash out. Accrual transactions consist of transactions discretionary and non-discretionary. Discretionary accruals are accrued which can still be changed or influenced by policies made by management. Management has the flexibility to control the number, for example: the determination of lending policy provisions, the policy loss reserve accounts receivable, and inventory valuation. Non-discretionary accruals are accrued which can not be influenced by policies made by management. The management does not have the flexibility to control the number, for example: the use of accounting methods between the full and successful effort method, and changes in accruals due to changes in business volume (Scott: 2006). So it earnings management actions can be done with the pattern tends to raise or lower the earnings numbers.

Earnings management proxy for some models or approaches, namely: accrual earnings management model (Jones, 1991; and Dechow, 1994); accrual earnings management model of short-term and long-term (Whelan and McNamara, 2004); real earnings management model; and integrated management model income.

According to Kusuma (2006), Jones model and modified Jones model (discretionary accruals) divided into short-term component of discretionary accruals and long-term discretionary accruals. According Dechow in Hadri (2006) short-term and long-term discretionary accruals have different characteristics. Short-term discretionary accruals have relatively short period of time to be able to return. While the long-term discretionary accruals has the return time more than one financial in any year. The different characteristics of the market will be taken that the use of short-term discretionary accruals is for the purpose or motivation signaling. Meanwhile, the market may be considered the use of long-term discretionary accruals is a business manager to fool market participants, because of the nature of these accruals provide an opportunity for managers to manipulate.

To reduce earnings management actions can be done through the mechanism of corporate Governace (Wiyadi, et al., 2013). Cadbury Committee defines corporate governance as a system that directs and controls the company with the aim to achieve a balance between the strength of the company the necessary authority to ensure the continued existence and accountability to stakeholders. According to Arief and Scout (2007) application of corporate governance will be one of the key elements to cultivate economic efficiency, and provide synergistic relationship among the parties interested in the company. So that the application of corporate governance in the company will certainly impact to earnings management actions conducted by manager.

Issues related to corporate governance have started a lot discussed in the business world. One proxy for corporate governance that can be used at this time is the Corporate Governance Perception Index (CGPI). CGPI is the result of an institute of research cooperation between the Indonesian Institute for Corporate Governance (IICG) with SWA magazine that voluntarily doing the rating of GCG implementation on the companies go public in Indonesia. CGPI program has consistently been held every year since 2001

1. Information Asymmetry And Earnings Management

The existence of information asymmetry is considered as a cause of earnings management. One of the indicators for the information asymmetry between management and shareholders is the bid-ask spreads. The previous rerearch stated the bid-ask spreads have the ability to measure the asymmetry of information (Healy, Palepu and Sweeney (1995) and Welker (1995) in Rahmawati et al. (2006).

Rahmawati et al. (2006) examined the relationship asymmetry of information with the earnings management in all companies listed on the NYSE at the end of June during the 1988-1992 periods. Research results suggest that there is a systematic relationship between magnitut asymmetry of information and the level of earnings management. The flexibility of management to manage earnings could be reduced by providing more quality information to outsiders.

According to the research by Halim et al. (2005) the information asymmetry, performance of the present and the future, leverage factor, and the size of the company significantly effect on earnings management. Similarly, research conducted by Rahmawati et al. (2006) showed the information asymmetry significantly positive effect on earnings management. So that, it can be formulated hypothesis is as follows:

H_1 : Information asymmetry effect on earnings management

2. Information Asymmetry and Earnings Management with Good Corporate Governance as moderating variable.

According to Schipper (1989), earnings management intervention or intervention is the manager in the process of preparation of financial statements in order to maximize personal gain. From these definitions suggests that earnings management is opportunistic behavior of managers to maximize their utility. Managers perform earnings management action by selecting methods or accounting policies to increase or decrease profit figure profit numbers. Managers increased their earnings by shifting profits coming period to the current period and decrease profit figures by shifting earnings period now coming period (Widodo, 2005).

The underlying philosophy of management interests is the need for harmonization and systematization of management in order to produce an effective and efficient performance. As an integral part of the company, the management who want to achieve a form of a regular system of course will require the application of GCG consistently. Because to achieve optimal performance,

management and employees must be balanced and fair treatment in accordance with their respective position. The principle of fairness of GCG role to realize the management company is doing well. Thus GCG can strengthen or weaken the (moderate) in making a decision transparency of financial reporting with the objective to optimize the performance of the company (Solar and Yustiavanda, 2014). On the basis of the above, it can be formulated hypothesis is as follows:
H_2 : Good Corporate Governance can moderate the effects of information asymmetry to earnings management.

Research Methods

This research was designed to clarify the effect of good corporate governance as moderating variable on information asymmetry to earnings management. The object of the research is all of companies listed on the Stock Exchange and included in 10th the best rank of CGPI during the period of 2004 - 2013. This research uses panel data (pooled data) for 10 years as window periods
Total sample is 43 companies which selected by purposive sampling. The criteria for selected sample are: (1) companies listed on the Stock Exchange; included in the top 10 best ranked for CGPI; (2) manufacturing companies (3) publish annual financial statements during the 2004-2013 period. The sample selected can describe on the following table

Table 1: The Selected Sample

No	Description	Amount
1.	All of companies listed on the Stock Exchange and included in 10th the best ranked by CGPI during the periods of 2004 – 2013 (10X10)	100
2.	Non-manufacturing companies listed on the Stock Exchange and included in 10th the best ranked by CGPI during the periods of 2004 - 2013.	(23)
3.	Companies listed on the Stock Exchange and included in 10th the best ranked by CGPI during the periods of 2004 - 2013.	77
4.	Outliers	(34)
5.	Total sample	43

Source: Secondary data processed, 2015.

The variable in this research is Earnings Management, Information Asymmetry, Good Corporate Governance, and Interaction between Information Asymmetry and Good Corporate Governance. Earning variablee is proxied by using the model of the Long Term Discretionary Accruals (LTDA) and Short Term Discretionary Accruals (STDA). To determine the value LTDA and STDA with the following stages:
$ACC_{i,t} = EARN_{i,t} – CFO_{i,t}B$ ………………………..…………………………………………………………. (1)
Where:
$ACC_{i,t}$: Total accruals of firm i in year t
$EARN_{i,t}$: Income before extraordinary items of firm i in year t
$CFO_{i,t}$: Cash from operations of firm i in year t

Short-term accruals according Dechow (1994) and Whelan and McNamara, (2000)
$STACC_{i,t} = \Delta AR_{i,t} + \Delta INV_{i,t} + \Delta OCA_{i,t} - \Delta AP_{i,t} - \Delta TXP_{i,t} - \Delta OCL_{i,t}$ ……………………………………. (2)
Where:
$STACC_{i,t}$: Short Term Accruals firm i in year t
$\Delta AR_{i,t}$: Accounts Receivable in year t minus Accounts Receivable in year t-1 firm i
$\Delta INV_{i,t}$: Inventory year t minus inventory in year t-1 firm i
$\Delta OCA_{i,t}$: Other current assets year t minus other current assets in year t-1 firm i
$\Delta AP_{i,t}$:Accounts payable in year t minus accounts payable in year t-1 firm i
$\Delta TXP_{i,t}$: Tax payable in year t minus tax payable in year t-1 firm i
$\Delta OCL_{i,t}$: Current liabilities in year t minus other current liabilities in year t-1 firm i.

In accordance with the definition of total accruals, ie the combined short-term and long-term accruals, then the long-term accruals sought by subtracting the total accruals with short-term accruals.
$LTACC_{i,t}$: $ACC_{i,t} – STACC_{i,t}$ ………………………………………………………………………….. (3)

Where:
LTACCi,t : Long-term accruals of firm i in year t
ACCi,t : Total Accruals of firm i in year t
STACCi,t : Short-term accruals of firm i in year t

Information asymmetry is a situation where the manager has access to information on the prospects of companies that are not owned by the parties outside the company. Information asymmetry in this research is proxied by relative bid-ask spread, which can be expressed as follows (Rahmawati, et al., 2006):
$SPREAD = (ask_{i,t} – bid_{i,t})/\{(ask_{i,t}+ bid_{i,t})/2\} \times 100\%$ ....…………………… (4)
Model to adjust the spread is:
$SPREAD_{i,t} = \alpha_0 + \alpha_1 PRICE_{i,t} + \alpha_2 VAR_{i,t} + \alpha_3 TRANS_{i,t} + \alpha_4 DEPTH_{i,t} + ADJSPREAD_{i,t}$.... …………… (5)
Explanation:
α_0 : Constant
$Ask_{i,t}$: Ask price (bid) the highest stocks companies that occurred on the day i t

$Bid_{i,t}$: Bid price (ask) the lowest stocks companies that occurred on the day i t
$PRICE_{i,t}$: Closing price of stocks companies i on day t
$TRANS_{i,t}$: The number of transactions of a stock company i on day t
$VAR_{i,t}$: Variant daily return during the research period on stocks the company and day t. Daily Return is the percentage change in the stock price on day t with the share price on the previous day (t-1) 2
$DEPTH_{i,t}$: The average number of stocks companies i in all the quotes (number provided on ask plus the amount available at the time of the bid divided by two) for each day t.
$ADJSPREAD_{i,t}$: The residual error is used as a measure SPREAD which have been adapted for firm i on day t.
Moderating variables in this study is good corporate governance which proxied by the score of CGPI. The sample used in this research is the all of company was ranked by 10 best scores IICG CGPI during the period of 2004-2013. Data were analyzed using the regression analysis with moderated variable (MRA). The models can describe as
$Y = \alpha + b_1X_1 + b_2X_2 + b_3X_1X_2 + \varepsilon$
Y : Earnings Management (STDA or LTDA)
α : Constant
b_1 : Regression Coefficient of variable X_1
b_2 : Regression Coefficient of variable X_2
b_3 : Regression Coefficient of variable X_1X_2
X_1 : Information Asymmetry
X_2 : *Corporate Governance Perception Index* (CGPI)
X_1X_2 : Interaction between Information Asymmetry and CGPI
ε : Measurement error

Results

The descriptive statistics can describe the following table:

Table 2: Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
AI	43	0.18	1.71	0.6793	0.36736
STDA	43	-0.89	-0.20	-0.6390	0.18899
LTDA	43	-0.14	1.49	0.7805	0.46001
GCG	43	72.09	89.04	79.4795	4.69397
Interaction AI_GCG	43	13.77	127.25	54.3267	30.20448

Source: Secondary data processed, 2015.

The results stated the average value of Information Asymmetry is 0.6793, so there is Information Asymmetry existing during these periods, the value is 67.93%. Average value of STDA is -0.6390; it means companies did earning management with decresing the income number. Average value of LTDA is 0.7805 there is different result. Based on the LTDA companies did earning management by increasing income number. Average value of GCG is 79.4795; So most of companies have the high score. It means most of companies applied the good corporate governance.

The hyphotesis testing

The MRA regression used for this research. Before testing the hypothesis, the assumption of analysis will be done. They are normality test, multicolinearity, heteroscedasticity test and autocorrelation test. Based on the Kolmogorov-Smirnov test the Z probability value is 0.745 (data normaly distributed). The tolerance value of less than 0.1 and the VIF less than10. So there is no multicolinearity for this model. The Glejser test showed homocedastic because of variables have probability value more than 0.05. So it can be concluded that standard error (e) in this regression model no symptoms heteroscedasticity. To test the autocorrelation is by Run test to analysis the relationship between residual correlations. It is e random or non random. Based on the the test, value of Information Asymmetry are -0.01547 (STDA) and -0.02044 (LTDA); profitability value is 0.755. It means residual value did not correlation (no autocorrelation).

The hyphotesis testing is analyzed by moderated multiple linear regression (MRA) as follows.

Table 3: The Results MRA analysis

Variable	STDA Approach			LTDA Approach		
	Coeficient	t statistic	p-value	Coefficient	t statistic	p-value
C	-4.469	-5.294	0.000	7.415	3.157	0.003
Information Asymmetry	5.012	4.271	0. 000***	-7.301	-2.236	0. 031**
GCG	0.047	4.408	0. 000***	-0.081	-2.743	0. 009***
Asym*GCG	-0.061	-4.156	0. 000***	0.088	2.161	0. 037**
	F statistic = 8.784			F statistic = 3.671		
	p-value = 0. 000**			p-value = 0. 020**		
	R^2 = 0.403			R^2 = 0.220		

Source: Secondary data processed, 2015.

Based on the table above, the LTDA and STDA regression equation can be expressed as follows:
STDA = - 4.469 + 5.012 Asym + 0.047 GCG - 0.061 Asym*GCG + e
LTDA = 7.415 - 7.301 Asym - 0.081 GCG + 0.088 Asym*GCG + e

Based on F test, the value of STDA approach is 8.784 with probability value 0,000 (less than 0.05). Similarly, the value of LTDA approach is 3.671 with probability value 0.020 (less than 0.05). So, and the models used in this research is accurate or fit. The accuracy model can also be measured by the coefficient of determination (R^2), it means the contribution of the independent variable (X) can explain the dependent variable (Y). Based on the results of regression testing on a short-term approach (STDA) obtained value R^2 (R-square) of 0.402. It means the variation of the dependent variable changes (STDA) can be explained by the independent variable (Information Asymmetry; GCG; Asymmetry Information*GCG) is 40.2 %. While their rest of 59.8% is explained by other variables are not described in the model. Furthermore, the long term approach (LTDA) obtained value R^2 (R-square) of 0.220. It means the variation of dependent variable changes (STDA) can be explained by the independent variable (Information Asymmetry; GCG; Information Asymmetry*GCG) is 22.0%. While the rest of 78.0% is explained by other variables are not described in the model

Information Asymmetry has a regression coefficient (β = 5.012); t = 4.271; and p-value = 0.00 less than 0.05, it can be concluded the Information Asymmetry has positive and statistic significantly effect to Earnings Management (STDA). While in the long term approach, Information Asymmetry has a value regression coefficient (β = 7.415; t = -2.236; and p-value = 0.031 less than 0.05). So it can be concluded that the effect of Information Asymmetry significantly negative to Earnings Management (LTDA). In the short term approach, Good Corporate Governanve has a regression coefficient (β = 0.047); t = 4.408; and p-value = 0.000 less than 0.05. It can be concluded that Good Corporate Governance has positive and significant effect on Earnings Management (STDA). While in the long term approach, GCG has a value of regression coefficient (β = -0.081); t = -2743; and p-value = 0.009 less than 0.05, so it can be concluded that Good Corporate Governance significantly negatif to Earnings Management (LTDA)
In the short term approach, interaction between the Information Asymmetry and Good Corporate Governanve has value of regression coefficient (β= -0.061); t = -4.156 and p-value = 0.000 less than 0.05, it can be concluded that the GCG has moderated the effect of Information Asymmetry on Earnings Management (STDA). Interaction between Information Asymmetry and Good Corporate Governanve has a value β = 0.088; t = 2.161 and p-value = 0.037 less than 0.05, it can be concluded that the GCG also has moderated the effect of Information Asymmetry on Earnings Management (LTDA).

Discussion.

Based on the results above, indicate a significantly relationship between the Information Asymmetry and earnings management proxied by STDA (β = 5012; t = 4,271; p = 0.000 less than 0.05). So, as higher as the Information Asymmetry can be increasing the earnings management. While the function of the second equation indicates a negative significantly relationship between the Information Asymmetry and Earnings Management proxied by the LTDA (β = -7301; t = -2236; p = 0.031 less than 0.05). It means, as higher as the information asymmetry can be reduce Earnings Management. Results of analysis on both earnings management approach (STDA and LTDA) proves the first hypothesis, and also supports research Darmawan (2014); Alviantini (2013); Wisnumurti (2010); Rahmawati, et al (2006) that the Information Asymmetry effect on earnings management.
The other results indicate the significantly relationship between good corporate governance with earnings management proxied by STDA (β = 0.047; t = 4.408; p = 0.000 less than 0.05). The higher score of good corporate governance will be increasing earnings management. In the second equation function showed that a negative significantly relationship between good corporate governance with Earnings Management proxied by LTDA (β = -0.081; t = -2.743; p = 0.009 less than 0.05). It means the higher of GCG score can be reduce Earnings Management. So the results of analysis on both earnings management approach (STDA and LTDA) proves the truth of the second hypothesis and support research Alviantini (2013) and Wisnumurti (2010) that GCG significantly effect on earnings management.
Based on the table 3, the results showed there are significantly interaction between Information Asymmetry and Good Corporate Governance to Earnings Management (STD). The higher interaction the Information Asymmetry and GCG can be reduces Earnings Management short term approach (STDA). The interaction between Information Asymmetry and good corporate governance on Earnings Management STDA model (β = -0061; t = -4156; p = 0.000 less than 0.05). It means the interaction between Information Asymmetry with good corporate governance is considered essential in reducing the action of Earnings Management (STDA). And interaction between Information Asymmetry and Good Corporate Governance can be moderate the effect of Information Asymmetry on Earnings Management (STDA).
Table 3 also indicates that interaction between Information Asymmetry and Good Corporate Governance significantly effect on Earnings Management (LTDA). Where as Based on the MRA results the interaction between Information Asymmetry and Good Corporate Governance significantly effect on Earnings Management with LTDA model (β = 0.088; t = 2.345; p = 0.037 less than 0.05). It means the interaction between Information Asymmetry and the good corporate governance is essentially increasing Earnings Management (LTDA). So the interaction between the Information Asymmetry and good corporate governance can be moderate the effect of Information Asymmetry on Earnings Management (LTDA)
Based on both analysis on earnings management approach (STDA and LTDA), the second hypothesis supported. It is also supporting research of Alviantini (2013) and Wisnumurti (2010 that good corporate governance can be moderate effect of Information Asymmetry on Earnings Management.

Conclusions

1. The first hyphotesis supported. Information Asymmetry significantly effect on Earnings Management in STDA and LTDA models. In the short term model, the effect of Information Asymmetry can be increase earnings management. While on approach to long term, the effect of information asymmetry can be reduce earnings management.
2. The second hyphotesis also supported. The interaction between Information Asymmetry and Good Corporate Governance can be moderate the effect of Information Asymmetry on Earnings Management in STDA and LTDA models. In the short term model, the effect of interaction between Information Asymmetry and Good Corporate Governance can reduce Earnings Management. While on the long term model, the effect of interaction between Information Asymmetry and Good Corporate Governance can be increase earnings management.

Limitations

1. The total sample 43 companies which included on 10th rank top scorer by CGPI. The really manufacturing companies are 77 comopanies and 34 as outliers. The future research should analysis why there are many outliers in these models. The data must be selected precisely.
2. The good corporate governance has moderated effect on information asymmetry to earning management. This reaserch used opportunistic perspective. Future research should look at with different perspective such as efficiency. So the next research may look at the interaction cost of capital or cost equity capital as moderating variable,

Acknowledgment:

* This paper is funded by DP2M DIKTI: Surat Koordinator Kopertis VI dengan surat perjanjian nomor: 007/K6/KM/SP2H/PENELITIAN_BACTH-1/2015 Tanggal : 30 Maret 2015.
* Thanks for all of team post graduate research programs (Dr. Noer Sasongko, Dra. Rina Trisnawati, M.Si, Ph.D; Andri Veno; Lina Ayu Safitri; Happy Purbasari).

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