CHAPTER V
CONCLUSION, LIMITATION, AND RECOMMENDATION

5.1 Conclusions

This study aims to determine the effect of independent variable including board independent, board gender diversity, managerial ownership, audit committee, and audit quality. Control variables in the board size, and leverage to earnings management. Used modified Jones model for measurement the discretionary accruals in this study.

1. Board independence has a positive impact to earnings management. The results are supported by research from Kurawa and Saheed (2014) and Patrick et al. (2015),
2. Board gender diversity has no significant negative effect on earnings management. The results of this study are consistent with Emilia and Sami, (2010) and Novilia and Nugroho (2016).
3. Managerial ownership don't have a significant on earnings management. The results of this study contradict the research conducted by Lin (2011) and Isenmila and Elijah (2012) which show that managerial ownership has a significant negative effect on earnings management.
4. According to Siam et al. (2015) independent audit committee is believed to be able to provide a means of formal communication between the board, internal control, and external auditors so that the monitoring function can run well. From the results of the study, the audit committee has a significant negative relationship to earnings management. The results of this study are

also consistent with Davidson et al. (2005), Alkdai and Hanefah (2014), Saleh et al. (2007), Soliman and Ragab (2014), Bukit and Iskandar (2009), Salleh and Haat (2014), Siam et al. (2015) and Ayemere and (Elijah 2015). Different opinions expressed by Yusof (2010).

5. Krishnan (2003) shows the Big Four auditors are better then non-Big four because can at limiting client earnings management compared to non-Big Four auditors. They find that clients from non Big Four auditors have a higher level of discretionary accruals. Those results of the study show that audit quality has a significant negative relationship on earnings management. The results of this study are also consistent with (Herusetya, 2012) and (Shuaibu, 2018). Christiani and Nugrahanti (2014) which have contradictory research results stating that audit quality has no effect on earnings management.

5.2 Limitations of Research

This study has several limitations including:

1. The population and object of this research are only limited to companies listed on the IDX. Furthermore, many companies present annual report data in the form of incomplete annual report data in a row from 2013-2017. As a result, there are data that cannot be used for data processing.
2. The profit management proxy used is discretionary accrual modified by Jones (1991) which is still considered as a complicated measurement.

5.3 Recommendation

Recommendations that can be taken into consideration for future research are as follows:

1. The next research is expected to be able to expand the population and object of research by comparing listed companies in other countries, and extend the research time horizon (more than five years) so that the resulting test can show the right model with observational data.
2. Adding other independent and dependent variables that are thought to have a stronger influence in producing a better research model.
3. Future research can use alternative earnings management measures that are simpler and easier to understand.