

## **CHAPTER V CONCLUSIONS AND SUGGESTIONS**

At the end of this research report, the author presents the conclusions, suggestions and recommendations according to the results and discussion from the chapters before.

### **5.1 Conclusions**

The objective of this study is to figure out the effect of auditor size, auditor tenure, audit committee size, audit committee competence and frequency of audit committee meetings on earnings management. Firm size, leverage and operating cash flow are the control variables. The research findings are as follow:

1. The effect of audit committee competence on earnings management is negative significant. Which mean, audit committee with financial expertise has the ability to limit the earnings management practice.
2. Auditor size is positive insignificantly effect the earnings management, so no matter the auditor size is Big 4 or non Big 4, earnings management is still happening.
3. Audit committee size has significant positive effect on earnings management, so whether the size of audit committee is big or small, earnings management is still happening.
4. The effect of audit committee meetings on earnings management is positive insignificant. Number of audit committee meetings can not decrease the earnings management practice.
5. Audit tenure has effect the earnings management insignificantly. Means that longer audit tenure may limit the earnings management practice, but this finding does not succes to prove the significant effect.
6. Audit quality and audit committee have stimuleously affect the earnings management, mean that the existancy of both audit quality and audit committee may influence the manager behavior on preparing the financial statements.

Although audit quality and audit committee have affect earnings management stimuleously, only the hypothesis of audit committee competence is

accepted. Meaning that the quality of audit measured by Big 4 and the role of audit committees in Indonesia do not effectively limit the earnings management. This might happen because of the weak investor protection in Indonesia, so Big 4 do not audit the financial statement conscientiously and the existancy of audit committees are just to fulfill the regulatory by OJK. Hence, for the further researchers, it is better to consider not using Big 4 and non Big 4 as the proxy of audit quality but use audit opinions as the measurement of audit quality instead.

## 5.2 Limitations

The limitations that the author has experienced while conducting this study are as follow:

1. The author only uses a modified model of Jones, which is Dechow model to measure the likelihood of earnings management.
2. The author only uses several independent measurement variables such as the effect of the size of the auditor size, auditor tenure, audit committee size, audit committee competence and the frequency of audit committee meetings to determine the factors that can influence the occurrence of earnings management.
3. This study is only sampled by listed company in Indonesia.

## 5.3 Recommendations

Due to the limitations above, the author provides some recommendations that might be implicated for further research:

1. The author suggest to use the latest proxy models such as the Kohari model or any other latest model.
2. There still have many variables that the author has not use to analysis their impact of earnings management, so they may use those other variables, like board size, CEO tenure, audit fees, ownership and others.
3. For further research, they can consider to do the research with a wider sample, such as a listed company in Asia.