Journal of Business and Economics, ISSN 2155-7950, USA
March 2018, Volume 9, No. 3, pp. 275-285
DOI: 10.15341/jbe(2155-7950)/03.09.2018/006
© Academic Star Publishing Company, 2018
http://www.academicstar.us

The Effect of Earnings Management on Firm Value before and When IFRS Implementation, Modereted Life Cycle Company

Sunardi
(Faculty of Economic and Business Universitas Muhammadiyah Palembang, Indonesia)

Abstract: The Purpose of this study was to test empirically the effect of earnings management on firm value before and when IFRS implementation was moderated by the life cycle of firm. The study population was 127 manufacturing companies that go public and listed on the BEI 2010-2016. The sample of this study was the number of firms as much as 192 firms completed financial report year 2010-2016, financial report year 2010-2011 (96 observation) was to explain before applying of IFRS while financial report (96 observation) year 2012-2016 explained when application of IFRS, Research results, before the implementation of IFRS earnings management did not affect on firm value, then when the implementation of IFRS earnings management affected positively and significantly firm value. While the moderate variables of percentage of sales growth and age of firm strengthen the influence of earnings management on firm value before implementation of IFRS, but variable of capital expenditure weaken. On the other hand, the percentage variable of sales growth, capital expenditure value and age of firm strengthens the influence of earnings management on company value during company implementation. Limitations, this study was not associated with the quality of financial reports, so the value of firm was high but low quality or otherwise.

Key words: earnings management; firm value; IFRS; sales growth; capital expenditure value
JEL codes: M

1. Introduction

Financial information in making investment decisions in the capital market was necessary, but it was also trusted by the wearer if it referred to accounting standards. Companies that go public starting 1 January 2012 might apply international financial reporting standards (IFRS). The full implementation of IFRS was expected to improve the quality of accounting information and standard uniformity (financial reporting) internationally. A good financial report or a company's quality could be seen from how managers behave in earnings management practices. Barth et al. (2008) explained that high quality financial reports could be seen from small earnings management, timely loss recognition and high value relevance. Earning management was expected to increase the value of firm at any given moment (Tobin's Q) (Morck et al., 1988). Research Barth et al. (2008) which examined the quality of accounting before and after the introduction of IFRS showed that after the introduction of IFRS, the level of earnings management became lower, the relevance of the value became higher, and the loss recognition

Sunardi, M.Si., Faculty of Economic and Business, Universitas Muhammadiyah Palembang, research areas/interests: accounting theory, public accounting sector. E-mail: sunardifeb@gmail.com.

became more timely, compared to the period before the transition where accounting was still based on local GAAP.

Cohen and Zarowin (2008), company used real and accrual earnings management in relation to additional equity offerings, and after *Sarbanes Oxley Act* laws applied to accrual-based earnings management was more expensive, so companies replaced with real management. Finally, the used of real and accrual earnings management activities used in seasoned equity offerings varies simultaneously. IFRS implementation was more increased the value of firm, because the measurement with fair value was more described the financial position and the company's economic performance. This could be further helped investors and potential investors before making investment decisions (Barth et al., 2008).

Real earnings management practices practiced by managers who go public in Indonesia on average had poor performance. This study was similar to Graham (2005), managers tend to prefer real management activities compared to accrual management. Furthermore Nikolas et al. (2011), in the pre-IFRS period of tax pressure was a significant negative determinant of the accrual discretionary, whereas the application of IFRS influence disappears. Rathke et al. (2016), Latin American companies presented higher levels of earnings management than Continental European and Anglo-Saxon companies, and these opportunistic behaviors remained significant. A unique set of high quality accounting standards and strong reporting incentives, country-specific characteristics still play an important role in how IFRS was implemented in each country.

Armstrong et al. (2010) explained that the EU market reaction to IFRS adoption was that investors reacted positively to the adoption, as the quality of accounting information could increase and reduce information asymmetry. Research in Turkey showed that the relevance of the value of accounting information had increased in the post-IFRS period (2005-2011) (Sibel Kargin, 2013). Shehu (2015), corporate attributes (leverage, profitability, liquidity, bank size and bank growth) significantly affected the quality of bank profit in Nigeria after IFRS implementation, while the pre-IFRS period, company attributes had no significant impact on earnings quality. Theresia et al. (2016), the implementation of IFRS-based accounting standards had a positive effect on real earnings management and corporate governance as proxied by internal control structures undermines the positive effect of adoption of IFRS-based accounting standards on real earnings management.

The company had a life cycle as well as the product (Schori & Garee, 1998). There were four stages of the company's life cycle, namely the stage of introduction, growth, mature, and decline. There were several studies that linked earnings with the company's life cycle. Anthony and Ramesh (1992) examined the relationship between accounting performance measures and share prices by using the life cycle hypothesis test by dividing the life cycle into three phases: growth, mature, and stagnant. Black (1998) compared the relevance of earnings value and cash flow in each phase of the life cycle using the methodology of Anthony and Ramesh (1992).

The result of previous research showed that the influence of earnings management to the value of firm, as well as the application of IFRS to the value of firm, but not yet related to company life cycle, this research tried to test the effect of earnings management before applying of IFRS to the value of firm and moderated with company life cycle, Means whether the life cycle of a company (growth, mature and stagnant) strengthens or even weakens its influence on firm value, as well as IFRS implementation, did profit management affect the value of firm, with life cycle made moderation variable. The purpose of this study was to test empirically the influence and the difference of earnings management to the value of firm before and after the application of IFRS that was moderated by the life cycle of firm.

2. Theory Base and Hypotheses Development

Real earnings management was a management action that deviated from normal business practices undertaken with the primary goal of achieving earnings targets (Roychowdhury, 2006; Cohen and Zarowin, 2010). Real earnings management could be done in 3 ways: a) Sales manipulation; b) Discretionary decrease (expenditure dikretion); and c) Excessive production (overproduction). These three ways of manipulating the above real activities were usually done by companies with poor performance by manipulating these real activities primarily to achieve a earnings slightly above zero.

The results of the Graham survey, Harvey and Rajagopal (2005) found strong evidence that 78% of the 401 managers as respondents were much more willing to engage in real earnings management than the accrual management to achieve the company's earnings targets. Real activities were considered better than just accrual-based activities. Indication of corporate management involvement with manipulation of real activity could be indicated by the abnormal value of activity. The measurement of the abnormal value of the activity was a deviation between the actual value and the expected activities value. Roychowdhury (2006) provided empirical evidence that the company performed real earnings management to avoid reporting losses.

3. Hypotheses Development

3.1 The Effect of Earnings Management to the Value of Firm before IFRS Implementation

Firm value was the stock market value of the company that described the wealth of the owner, this indicated that the higher the stock price the higher the owner's wealth. Rational investors would choose investments in companies with maximum corporate value, thereby providing shareholder wealth. To measure the value of firms using the ratio of Tobin's Q, popularized by Professor James Tobin (1967). The interpretation of the results of this ration was If the ratio Q > 1, this showed that investment in assets generated profits that provided higher value than investment expenditure, this would stimulate new investment. Conversely If the ratio Q < 1, investment in assets was not attractive.

The calculation of firm value (Tobin's Q) was done by entering the elements of debt and share capital of the firm and all the firm's assets steps are: 1) Calculating the market value of equity (MVE) was obtained from the stock price and end of the year closing by the number of shares outstanding at the end of the year plus the book value of the total debt, 2) Then divided by the book value of equity (BVE) obtained the difference in total assets to the company's liabilities plus the total book value of debt (Chung & Pruitt, 1994).

Watts & Zimmerman (1986), the form of action an agent could take was to implement earnings management. Earnings management in agency theory was influenced by the conflict of interests between agents and principals that arise when each party seeks to maximize the desired prosperity. Furthermore, signal theory, a manager could provide information through financial statements that applied conservatism accounting policies to generate higher profits, because in principle the company prevented increase earnings.

Agoglia et al. (2011), conducted research on the preparation of financial reports in the United States that were given treatment to *rule-based* and *principle-based Accounting Standards* that were linked to compliance with financial standards and reporting. The results of the study proved that the preparation of financial statements in the treatment with *principle-based* showed better compliance compared with using *rule-based* and reported more precise results. Hung and Subramanyam (2007), compared the impact of IAS with German accounting standards

on financial statements. The results showed that accounting standards in Germany emphasize principle and income smoothing, while IAS emphasizes more on fair value and valuation on the balance sheet. Armstrong et al. (2010), conducted research on EU market reaction to IFRS adoption including IAS 39 which regulates financial instrument assessment with fair value. The results showed the market responds positively to the IFRS du EU adoption event, as the market judges by its adoption IFRS could improve the quality of accounting information and reduce information asymmetry.

Scott (2015), the selection of accounting policies undertaken by corporate managers with a specific purpose was called earnings management. Earnings management became a phenomenon that was difficult to avoid because this phenomenon was the result of the basic accrual application in the preparation of financial statements. Firms made earnings management with a pattern of raising profits at a time when company performance decreases, on the other hand in companies that reported taxes, companies did earnings management by lowering profits, in order taxes to be paid less.

Indiael D. K. (2015), IFRS became the determinant for quality financial reporting, but not prime assurance for quality reporting. This emphasizes the effective legal reporting legislation for quality reports, thus enforcement mechanisms coupled with quality reporting frameworks, so IFRS could affect the level of earnings management negatively.

H1: Earnings management negatively affects the value of the firm before IFRS implementation

3.2 The Effect of Earnings Management on Firm Value before IFRS Implementation that Moderated by the Life Cycle of the Firm

Earnings management could be done by management at the time the firm was still growing, even done also when the firm's earnings fall near zero (Hayn, 1995). As the firm grows (growth), the firm began generating earnings. Companies began to diversify in closely related product lines. Usually companies that were at a growing stage, its management structure was still weak. Dechow and Skinner (2000), a company whose management structure was weak and had large accruals so that there was a big difference between earnings and cash flow that was a feature of companies that made earnings management.

Healy and Wahlen (1999), the definition of earnings management contained some insights. *First*, earnings management intervention on financial reporting could be done by using judgment, for example judgment needed to estimate some future economic event to be shown in the preparation of financial statements, such as estimated economic life and residual value of fixed assets, responsibility for pensions, deferred tax, loss receivables and impairment of assets. In addition, managers had options for accounting methods, such as depreciation methods and costing methods. *Second*, the goal of earnings management to mislead stakeholders on the performance of the company's economy. The management of companies that were at a stagnant stage was significantly smaller than firms that were in the mature stage. Earnings management was more common in small companies than medium- or large-size companies (Kim et al., 2003). Earnings management could be done by management at the time the firm was still growing, even done also when the company's earnings fall near zero (Hayn, 1995). As the firm growth, the company began generating earnings. The firms began to diversify in closely related product lines, prior to IFRS implementation, then negatively affect.

H2a: Percentage of sales growth could strengthen the influence of earnings management to firm value before IFRS implementation

H2b: The percentage of capital expenditure could strengthen the effect of earnings management on firm value before IFRS implementation

H2c: The age of the firm could strengthen the effect of earnings management on firm value before IFRS implementation

3.3 The Effect of Earnings Management on Firm Value during IFRS Implementation

Asian AU, (2015), the firm's performance difference between before adoption and post-adoption of IFRS was not significant and had a weak correlation, correlation of IFRS adoption with company performance. Armstrong et al. (2010) in his research stated that in fact the market responded positively to improve the quality of accounting information resulting from the adoption of IFRS in Europe, although it was not yet clear how the earnings information would be responded by investors related to the IFRS adoption event. It was possible that investors would react positively to IFRS earnings information if, for example, they expected the implementation of IFRS could result in higher earnings information quality on financial reporting, relative to the adoption of local accounting standards.

Ashraf et al. (2017) After the adoption of IFRS in Germany and the UK on the basis of Ohlson's model, it showed that although the value of book value of equity decreases, it had been replaced by earnings increase, so when earnings management would affect firm value. The results of other studies also indicated that when the implementation of IFRS earnings management by the firm by decreasing earnings (income decreasing) did not result in increased value of the firm. For that reason, the hypothesis to be tested was:

H3: Earnings management had a positive and significant impact on firm value during IFRS implementation

3.4 The Effect of Earnings Management on Firm Value When IFRS Implementation Is Moderated by the Life Cycle of a Firm

Degeorge et al. (1999), some companies made earnings management to avoid negative earnings reporting, earnings decline, or failure to meet market expectations. The decrease in earnings was a hallmark of firm in mature stages. Stagnant firms were in stable condition, low sales growth rates, and firms did not make large capital expenditures. Earnings earned by the firm were no longer being held for development. Neerav N & Suresh R. (2015), earnings management based on the real activity of the firm occurs at the stage of growth and maturity. Firms in the adult stage tended to cut discretionary spending efficiently so that it positively affected future performance. But Firms at the growth stage could do opportunistic earnings management. In addition there was support for real-activity-based earnings management measures.

Shank and Govindarajan (1999) argued that firms that were in the introductory and growth stage of implementing control systems were not strict, but when it reached the maturity or harvest phase (in this case categorized into the mature stage) and decreased it would implement a control system strict. The more strict the control system, expected earnings management was done lower and when the implementation of IFRS would have a positive effect.

H4a: Percentage of sales growth could strengthen the influence of earnings management on firm value during IFRS implementation

H4b: Percentage of capital expenditure could strengthen the influence of earnings management on firm value during IFRS implementation

H4c: The age of the firm could strengthen the effect of earnings management on firm value during IFRS implementation

4. Research Methodology

4.1 Population, Sample and Data Collection Method

The population of this study were all manufacturing companies listed on the Indonesia Stock Exchange from 2010 to 2016. Companies that had been go public was selected because it had been required to prepare financial report using IFRS. The sampling of this research used purposive sampling method that the sample was chosen based on the criteria and conditions that might be fulfilled as the sample. Number of manufacturing firms listed on BEI in 2010 s.d 2016 as 127 firms, and firms that completed the financial reports of 2010 to 2013 were as many as 52 firms with 96 data before IFRS and 96 observations when IFRS. The data sources used in this study was secondary data, namely secondary data in the form of annual financial reports sourced from ICMD in 2010 and 2011 to explain before the implementation of IFRS while the financial statements of 2012 and 2016 explained when the application of IFRS.

4.2 Measurement of Variables

In accordance with the objectives of the study, theoretical framework and hypothesis, this study was a causal study that looked at the influence of one variable with another variable.

(1) Independent variable of this research was earnings management. Detection of earnings management used khotari model,

$$TACit/TAit\text{-}1 = \alpha 1(1/TAit\text{-}1) + \alpha 2(\Delta REVit / TAit\text{-}1) + \alpha 3\ (PPEit/TAit\text{-}1) + \alpha 4\ (ROA)$$

By using regression coefficients above the nondiscretionary accruals (NDA) values could be calculated by the formula:

$$NDAit = \alpha 1(1/TAit\text{-}1) + \alpha 2((\Delta REVit - \Delta RECit) / TAit\text{-}1) + \alpha 3\ (PPEit/TAit\text{-}1) + \alpha 4\ (ROA)$$

$$DAit = (TACit/TAit\text{-}1) - NDAit\text{-}1$$

(2) The dependent variable of this study was firm value, measured by using Tobins Q proxy. The calculation incorporated elements of debt and equity capital of the company, and not only the firm's equity, but all of the firm’s assets. First, calculating the market value of equity (MVE) was derived from the multiplication of the stock price and the year-end closing by the number of shares outstanding at the end of the year plus the book value of the total debt. Then divided by the book value of equity (BVE) obtained from the difference in total assets to total liabilities of the company plus the book value of total debt (Chung & Pruitt, 1994).

(3) IFRS Implementation

The impact of IFRS implementation on earnings management and adding dependent variables was its influence on firm value. The reason for the change in accounting standards used IFRS and earnings management practices by management could actually affect stock prices, one of the decision making (decision making) of the capital market was taken from the existence of new accounting information. IFRS with principle based standards could increase the firm value, because the measurement with fair value could be better describe the position and the firm’s economic performance. The ratio of the firm’s value before and when the IFRS implementation was measured by comparing the market value of equity plus the book value of total debt whereas, the ratio of the Discretionary Accruals prior to the IFRS implementation as measured using the model from Kothari.

(4) Life Cycle Company

The life cycle of the firm in this study was proxied in three variables that referred to the research of Anthony and Ramesh (1992). The three variables were: a) Percentage of sales growth, b) capital expenditure as a percentage of total company value (CEV) and c) age of company (age)

$$SGt = ((Sales\ t\text{-}sales\ t\text{-}1)/(Sales\ t\text{-}1) \times 100 \quad (1)$$

$$CEV = (CE\ t/Value\ t) \times 100 \quad (2)$$

$$AGE = current\ year - year\ of\ the\ firm\ establishment \quad (3)$$

5. Research Results and Discussion

5.1 Descriptive Statistics and Correlation Matrices

Based on the classical assumption test for the data before the implementation of IFRS, it was known that the data used, there were no variables that had value more than 0.8 so it could be concluded that the data did not occur multicollinearity, no heteroscedasticity occurred. No autocorrelation occurs, and the data was not normally distributed. While data after IFRS implementation that the data used happened multicollinearity, happened heteroskedastisitas, not happened autocorrelation and data distribution not abnormal.

Based on descriptive statistics the average value of earnings management before IFRS implementation amounted to -0.9513 and the average earnings management while IFRS implementation amounted to -0.8619, this difference was not significant, before the implementation of IFRS the firms reduced the earnings higher than while IFRS. Average firm values prior to IFRS implementation were greater than those of IFRS implementation, but not significant, this meant that when the implementation of IFRS reduced earnings management so that firm value decreased. The average value of sales growth while IFRS implementation had increased compared to sales growth prior to IFRS implementation.

Table 1 Descriptive Statistics

Variable		Mean	N	SD	T	Sig. (2-tailed)
Pair 1	X_before	-.9513	96	.79029		
	X_while IFRS	-.8619	96	.72982	-.805	.423
Pair 2	Y_before	4.7971	96	1.03866		
	Y_ while IFRS	3.2441	96	9.12731	1.106	.272
Pair 3	SG_ before	2.3716	96	2194.69453		
	SG_ while IFRS	5.9665	96	46.85435	1.031	.305
Pair 4	CEV_ before	3.7398	96	1.33087		
	CEV_ while IFRS	3.4825	96	2.50530	.088	.930
Pair 5	AGE_ before	34.0833	96	21.30069		
	AGE_ while IFRS	34.0833	96	18.63989	.000	1.000

Source: Processed Data Results 2017

The average value of capital expenditure value before IFRS implementation was higher than the average value of capital expenditure value while IFRS implementation, this difference was also not significant. This meant that when the implementation of expenditures for capital was reduced because the life cycle of the firm to maturity. Furthermore, the average age of the firm (AGE) prior to IFRS implementation and IFRS implementation was no different.

Furthermore, the correlation between earnings management variables before and while IFRS implementation was low. The firm's value before and while IFRS implementation was very low. The correlation of sales growth before and while IFRS implementation was low. The relationship between the value of capital expenditure before and while IFRS implementation was very low, whereas the age relationship of firms before and while IFRS

implementation was very strong (Table 2).

Table 2 Paired Samples Correlations

Variable		N	Correlation	Sig.
Pair 1	X_before & X_while IFRS	96	-.024	.816
Pair 2	Y_before & Y_while IFRS	96	.010	.923
Pair 3	CG_before & CG_while IFRS	96	-.025	.811
Pair 4	CEV_before & CEV_while IFRS	96	-.012	.909
Pair 5	AGE_before & AGE_while IFRS	96	-.081	.433

Source: Processed Data Results 2017

5.2 Effect of Earnings Management on Firm Value before IFRS Implementation and Moderated with Firm Life Cycle

Based on probability value, the probability value of 0.913 was higher than the alpha (5% = 0.05). This meant that the earnings management variable did not affect the value of the firm before IFRS implementation. These results also showed that hypothesis 1 was proven.

Table 3 Probability Value of Earnings Management Interaction with Firm Value was Moderated by Firm Life Cycle (Before IFRS Implementation)

Variable	Coeficient	Std error	t-Statistic	Prob
C.X	-14803.25	135547.7	-0.109211	0.9133
XM1	-19.24366	50.30493	-0388540	0.7029
X_M1(SG)	4329.659	1919.723	2.255355	0.0265
XM2	0.028715	0.080868	0.355066	0.7233
X_M2(CE)	-0.035553	0.298893	-0.118872	0.9056
XM3	-10882.30	5031.550	-2.162812	0.0331
X_M3(AGE)	6089.321	8243.709	0.738663	0.4620

Source: Processed Data Results 2017

The probability value of the interaction of earnings management variable (X) with firm value was moderated by sales growth variable (Sales Growth) of 0.026. This meant that the SG moderating variable strengthened the influence of the earnings management variable on firm value but the effect was less significant, so Hypothesis 2a was acceptable. On the other hand the value of the probability of interaction of earnings management variable (X) with variable value of capital expenditure (capital expenditure value) that was equal to 0.905. This meant that moderation variable of capital expenditure had weaken (negatively) influence of earnings management variable to firm value. But the effect is not significant, so hypothesis 2b is not proven. Furthermore, the probability value of the interaction of earnings management variable (X) with variable of company age was 0.462.

This meant that AGE moderation variables strengthened the influence of earnings management variables on firm performance but the effect was not significant, so hypothesis 2c was proven and accepted.

5.3 The Effect of Earnings Management on Firm Value during IFRS Implementation and Moderated with Firm Life Cycle

Based on the calculation of table 4, it could be seen that the probability value of 0.000 was smaller than the alpha (5% = 0.05). This meant that firm value variables during IFRS implementation were influenced by earnings management variables of 0.235 or 23.5 percent.

Table 4 Probability Value of Earnings Management Interaction with Firm Value Was Moderated by Firm Life Cycle (When IFRS Implementation)

Variable	Coefficient	Std error	t-Statistic	Prob
C.X	607039.6	112711.4	5.385785	0.0000
XM1	7956.565	1633.574	4.870649	0.0000
X_M1(SG)	8471.281	951.1607	8.906256	0.0000
XM2	0.145250	0.029505	4.922890	0.0000
X_M2(CE)	0.103763	0.029537	3.512946	0.0007
XM3	29351.05	4460.781	6.579799	0.0000
X_M3(AGE)	23899.36	1731.811	13.80021	0.0000

Source: Processed data results 2017

The result of data analysis of influence of earnings management to firm value while implementation of IFRS and moderated by variable of sales growth (SG), value of probability of interaction of earnings management variable (X) with SG variable that was 0.000. This meant that the SG moderating variable strengthened the influence of the earnings management variable on firm value and its significant effect. The moderate variables were categorized as pure moderator (since one was significant). The value of probability of interaction of earnings management variable (X) with variable value of capital expenditure value (CEV) was 0.000. This meant that the CEV moderating variable strengthened the influence of the earnings management variable on firm value and its significant effect. The moderation variables were categorized as pure moderator. Furthermore, the probability value of the interaction of earnings management variable (X) with the variable aged company (AGE) was 0.000. This meant that AGE moderation variables strengthened the influence of earnings management variables on firm value while IFRS implementation and its influence was significant. The moderation variables were categorized as pure moderator.

6. Discussion

The average value of earnings management, firm value, sales growth and value of capital expenditure before and while IFRS implementation were different and insignificant, but for the age of the firm there was no difference. This showed that when the implementation of IFRS earnings management was still done but declining, and it was only for the better quality of information so that investors responded positively to the market, in line with the research of Armstrong et al. (2010). The correlation between variables before and while IFRS implementation was generally low and insignificant, this was in line with the Asian AU study (2015), where differences in corporate performance between before adoption and post-adoption of IFRS were insignificant and had weak correlations.

6.1 The Effect of Earnings Management on Firm Value before IFRS Implementation and Moderated with Firm Life Cycle

Earnings management before the implementation of IFRS did not affect the value of the company, it indicated that the general condition of the firm had a low performance, thus making earnings management because it did not affect the value of the firm. In line with Shehu (2015) research, on pre IFRS, firm attributes had no significant impact on the quality of bank earnings. Sales growth (SG) and firm age strengthened the influence of earnings management on firm value before IFRS implementation, it indicated that sales growth and firm age on certain firm life cycle then sales would increase according to company condition. In line with Degeorge et al.'s

research (1999), the company did earnings management to avoid negative earnings reporting so that the sales growth rate was very influential. The value of capital expenditure before the implementation of IFRS was not able to strengthen the effect of earnings management on the value of the firm, this meant the firm performed earnings management because the firm's cycle condition at the stagnant stage did not do massive capital expenditure.

6.2 Effect of Earnings Management on Firm Value during IFRS Implementation and Moderated with Firm Life Cycle

When implementing IFRS, earnings management affected firm value, the main objective of IFRS implementation was to improve the quality of information and increase investor confidence in the financial statements. In line with Shehu (2015) research, firm attributed significantly influence the quality of bank earnings in Nigeria after IFRS implementation. Another study by Theresia et al. (2016), the implementation of IFRS-based accounting standards had a positive effect on real earnings management and corporate governance as proxied by internal control structures. While the growth of sales, the value of capital expenditure and the age of the firm, each able to strengthen the influence of earnings management on corporate value. This was on the company's growth cycle then sales, capital expenditures and age of the company was increasing but in the stagnant cycle it would decrease. Shank and Govindarajan (1999), the company at the introduction and growth stage would implement a control system that was not tight, but when it reached the phase of maturity and would enter the mature phase, it would implement a tight control system, so that expected earnings management was lower.

7. Conclusions, Limitations and Recommendations

After testing that it used the program reviews, empirically could be concluded:

(1) There was no effect of earnings management on firm value before IFRS implementation, but variable of sales growth and firm age before IFRS implementation could strengthen influence of earnings management to firm value, while variable of expenditure value weaken earnings management influenced to company value

(2) At the time of IFRS application, earnings management affected positively and significantly to company value. While variable of sales growth, capital expenditure and company age could strengthen influence of earnings management to company value.

(3) There was a difference in average earnings management, firm value, sales growth, and capital expenditure value (CEV) before and while IFRS implementation but not significant. The correlation of earnings management (low), firm value (very low), CEV (very low) AGE (very strong) before and while IFRS implementation, whereas Sales Growth correlated very low before and while IFRS implementation.

Limitations, the variables used that were not associated with the quality of the firm's financial statements, so it could be high firm value but low quality.

The researcher's recommendation was to add dependent variables, such as the quality of the financial statements and the addition of the number of firms and the amount of expression.

References

Anthony, Joseph H. and Ramesh (1992). "Association between accounting performance measures and stocks prices: A test of the life cycle hypothesis", *Journal of Accounting and Economics*, Vol. 15, pp. 203-227.

Ashraf E., Jacinta C. N., Hussein A., Abdou and Tamer E. (2017). "Comparative evidence on the value relevance of IFRS-based accounting information in Germany and the UK", *Journal of International Accounting Auditing and Taxation*, Vol. 28, pp. 10-30.

Asian A. U. (2015). "IFRS adoption and firms performance: A comparative analysis of quoted food and beverage manufacturing firms in Nigeria", *European Journal of Accounting Auditing and Finance Research*, Vol. 3, No. 88, pp. 77-90.

Ball R. (2006). "International financial reporting standars (IFRS): Pros and cons for investors", *Accounting & Business Research*, Vol. 36, pp. 5-27.

Barth E., Mary, Landsman R, Wayne, Lang Mark and William Christpher (2007). "Accounting Quality: International Accounting Standars and US GAAP", available online at: http://b_sundari.staff.gunadarma.ac.id/Downloads/files/29750/JURNAL-7.pdf.

Black Ervin L. (1998). "Which is more value relevant: Earnings or cash flows? A life cycle examination", Working Paper, University of Arkansas, Fayetteville, Arkansas.

Chung H. Kee, dan Pruitt and W. Stephen (1994). "A simple approximation of Tobin's Q", *Financial Management*, Vol. 23, No. 3, pp. 70-74.

DeAngelo L. Elizabeth (1981). "Auditor size and audit quality", *Journal of Accounting and Economics*, Vol. 3, No. 3, pp. 183-199.

Dechow Patricia M. and dan Douglas J. Skinner (2000). "Earnings management: Reconciling the views of accounting academics, practitioners, and regulators", *Accounting Horizons*, Vol. 14, No. 2, pp. 235-250.

Dechow Patricia M., Richard G. Sloan and dan Amy P. Sweeney (1995). "Detecting earnings management", *The Accounting Review*, Vol. 70, No. 2, pp. 193-225.

Duggan Sean (2000). "Risk and the tech company life cycle", available online at: http://www.hkmb.com.

Healy Paul M. and dan James M. Wahlen (1999). "A review of the earnings management literature and its implications for standard setting", *Accounting Horizons*, Vol. 13, pp. 365-383.

Indiael D. K. (2015). "The impact of international financial reporting standards (IFRS) on earnings management: A review of empirical evidence", *Journal of Finance and Accounting*, Vol. 3, No. 3, pp. 57-65.

Jones J. (1991). "Earnings management during import relief investigations", *Journal of Accounting Research*, Vol. 29, pp. 193-228.

Kim Yangseon, Caixing Liu and Ghon Rhee (2003). "The relation of earnings management to firm size", available online at: http://pdfs.semanticscholar.org/8679/f5956b646e785dccfb7dd35f7b32cec5eab9.pdf.

Kothari S., Leone J. and Andrew dan Wasley E. Charles (2005). "Performance matched discretionary accrual measures", *Journal of Accounting and Economics*, Vol. 39, pp. 163-197.

Kotler Philip (2007). *Marketing Management: Analysis, Planning, Implementation, and Control* (9th ed.), Prentice Hall International, Inc., Upper Saddle River, New Jersey.

Neerav N. and Suresh R. (2015). "Firm life cycle and real activity based earning management", Indian Institute of Management Ahmedabad India, Research & Publication, W.P. No. 2015-12-01, pp. 2-36.

Quinn Robert E. and dan Kim Cameron (1983). "Organizational life cycles and shifting criteria of effectiveness: Some preliminary evidence", *Management Science*, Vol. 29 No. 1, pp. 33-51.

Roychowdhury Sugata (2006). "Earnings management through real activities manipulation", *Journal of Accounting and Economics*, Vol. 42, No. 3, pp. 335-370.

Schori Thomas R. and dan Michael L. Garee (1998). "Like products, companies have life cycle", *Marketing Views*, Vol. 32, No. 13, p. 4.

Scott William R. (2015). *Financial Accounting Theory* (7th ed.), Pearson Toronto.

Shehu U. H. (2015). "Adoption of international financial reporting standards and earning quality in listed deposit money in Nigeria", in: *7th International Conference On Financial Criminology*, Wadham College, Oxford, United Kingdom, 13-14 April 2015.

Sibel Kargin (2013). "The impact of IFRS on the value relevance of accounting information: Evidence from Turkish firms", *International Journal of Economics and Finance*, Vol. 5, No. 4.

Teoh Siew Hong, Ivo Welch and T. J. Wong (1998). "Earnings management and the under performance of seasoned equity offerings", *Journal of Financial Economic*, Vol. 50, pp. 63-99.

Theresia D. H., Imam G. and Etna N. Y. (2016). "The effect of international financial reporting standards on real earning management and internal control structure as a moderating variable", *International Journal of Economic and Financial*, Vol. 6, No. 4, pp. 1807-1814.

Xiong Y. (2006). "Earnings management and its measurement: A theoretical perspective", *Journal of American Academy of Business*, pp. 214-219.

Yan Zhipeng and Yan Zhao (2010). "A new methodology of measuring corporate life-cycle stages", *International Journal of Economic Perspectives*, Vol. 4, No. 4, pp. 579-587.